Royal Kingston

Royal Borough of
Kingston upon Thames

Statement of Accounts 2010/11

Audit Committee	**29 June 2011**
Policy & Resources Committee	**30 June 2011**

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This account shows the income and expenditure relating to the provision of housing and associated services to Council tenants and leaseholders and includes the Statement of Movement on the HRA Fund Balance. This reflects the statutory obligation of the Council to account separately for the costs of its activities as a landlord in the provision of Council housing.

PENSION FUND ACCOUNTS *(see separate item)*

The Pension Fund accounts set out a summary of the transactions during the year and the overall financial position of the Fund. The full accounts are available from the Director of Finance and Corporate Services at the address shown below. The summary accounts comprise:

- Fund Account
- Net Assets Statement

ANNUAL GOVERNANCE STATEMENT *(see separate item)*

This is a Statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the Council and the governance arrangements of the group.

GLOSSARY OF FINANCIAL TERMS (Pages 131 - 139)

This comprises an explanation of the local government and financial terms used in this Statement.

FURTHER INFORMATION

Further information about the 2010/11 Statement of Accounts is available from the Head of Corporate Accountancy by telephoning (020) 8547 5572, or by writing to the address below;

Head of Corporate Finance
Guildhall 2
Kingston upon Thames
Surrey
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EXPLANATORY FOREWORD

The accounting arrangements of any large organisation are complex. The purpose of the Statement of Accounts is to summarise the financial performance and overall financial position of the Council in a manner which is reasonably comprehensible, whilst acknowledging that over-simplification can be misleading. Accounting and local government finance have a language of their own so, inevitably, some technical wording remains. A Glossary is included at the end of the Statement to assist understanding of the information in this document.

This Statement sets out the statutory accounts for the Royal Borough of Kingston upon Thames (RBK) in respect of the 12 month period from 1 April 2010 to 31 March 2011. The various statements show the financial results of all of the Council's operations for the financial year and its financial position as at 31 March 2011.

The financial statements have been produced to conform with the requirements of the 'Code of Practice on Local Authority Accounting in the United Kingdom 2010/11', often referred to as 'The Code', and the 'Best Value Accounting Code of Practice' (BVACOP), both published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Guide to the Statements

Due to the implementation of International Financial Reporting Standards (IFRS) within Local Authority Accounting for the financial year 2010/11, the Statement of Accounts contains a number of significant presentational and accounting changes from previous versions compiled under UK GAAP and the 'Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice'. Accounting changes will be explained in the following section *Accounting Changes under IFRS.* Presentational changes are set out below:

Movement in Reserves Statement – shows the movement in the year on the different reserves held by RBK, analysed into 'useable reserves' (those that can be used to fund expenditure or reduce local taxation) and 'unuseable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing RBK's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfer to or from earmarked reserves undertaken by the Council.

Comprehensive Income & Expenditure Statement – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. Authorities are also now required to disclose a segmental analysis of the Comprehensive Income & Expenditure Statement as a note to the

accounts. This is based on the format for internal reporting for resource allocation decisions (in RBK's case the different portfolio responsibilities of the Senior Leadership Team).

The key points to note are that following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, CPI is expected to be less than RPI over the long term which means that the defined benefit obligation has reduced. The actuaries consider this policy change to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost (£59.8m). This is recognised within Non-distributed costs in the Cost of Services in the Comprehensive Income & Expenditure Statement and has led to a reduction in the defined benefit obligation on the balance sheet.

The second point relates to the revaluation of social housing stock (details of which are mentioned below under *Balance Sheet*). This has led to a revaluation loss of £98.4m which has been partly offset by other asset net revaluation gains of £29.3m. The revaluation loss is set against the Housing Revenue Account line in the Cost of Services in the Comprehensive Income and Expenditure Statement. These losses and gains are then reversed out before the Total Comprehensive Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with other items that, by regulation, are not intended to be funded by Council Tax payers.

Balance Sheet – shows the value as at the Balance Sheet date (31 March 2011) of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that RBK may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that RBK is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (e.g. Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

There are two material points of discussion concerning the Balance Sheet at 31 March 2011.

The first being the reduction in the pension liability shown in Long Term Liabilities. This is discussed further under *Pensions Liability* in this Foreword but is due to the change in inflation index used to derive statutory pensions increases.

The second relates to valuation of social housing which is defined as existing use value for social housing. The percentage adjustment factor applied to define social housing is prescribed by the Department for Communities and Local Government in its 'Guidance on Stock Valuation for Resource Accounting'. In previous years this has been stated to be 37%, but for 2010/11 it has been reduced to 25% and has

produced a significant fall in asset value of Council house dwellings within Property, Plant and Equipment at 31 March 2011.

Restated Balance Sheet – as well as restating comparative figures for the Balance Sheet at the previous Balance Sheet date (31 March 2010), the transition to IFRS also requires that the Authority restates its Balance Sheet at 31 March 2009.

Cashflow Statement – shows the changes in cash and cash equivalents of RBK during the reporting period. The Statement shows how RBK generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash out flows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims of future cash flows by providers of capital to the Authority.

The Statements above are supported by further notes to the accounts which are referenced on the face of each Statement and other notes which provide other disclosures.

There are also a number of supplementary financial statements that are included in the Statement of Accounts, namely:

Collection Fund Account – summarises income and expenditure relating to the collection of Council Tax and National Non-Domestic Rates, including the precept collected on behalf of the Greater London Authority. It sets out the contribution of Royal Borough of Kingston upon Thames Council Tax payers to the costs of local services and its distribution to the Greater London Authority.

Housing Revenue Account – shows the income and expenditure relating to the provision of housing and associated services to the Council tenants and leaseholders and includes the Movement of the Housing Revenue Account Statement. This reflects the statutory obligation of RBK to account separately for the cost of its activities as a landlord in the provision of Council housing.

Pension Fund Accounts – set out a summary of the transactions during the year (Fund Account) and the overall financial position of the Fund at 31 March 2011 (Net Assets Statement).

Annual Governance Statement – is a Statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the Council and the governance arrangements of the group.

Trust Funds & Bequests Statement - the Council acts as trustee for a small number of Trust Funds and bequests, which are used for specific purposes as set out in the relevant trust deeds. These funds are either invested internally or in external market securities.

Accounting changes under IFRS

The framework within which the Council's accounts are prepared and published is regulated as set out in Notes 1 to 4.

The transition from UK GAAP to International Financial Reporting Standards (IFRS) has meant that there are significant changes to accounting treatments. Presentational changes are summarised in the section above entitled *Guide to the Statements.* Below is a summary of the major changes adopted under IFRS and adopted by 'The Code':

Topic	The Code (2010/11)	The SORP (2009/10)
Componentisation of Property, Plant & Equipment	The Code has greater emphasis on componentisation and requires the separate recognition of 2 or more significant components and defines significant in the context of "the cost that is significant in relation to the total cost of the asset"	Was part of the SORP but was never enforced beyond 2 components (land and buildings)
Componentisation of Property, Plant & Equipment	The Code states that where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount	Componentisation and its effects were not required by the SORP
Employee Benefits	The Code has introduced the requirement for an accrual to be made for short-term employee benefits such as unused annual leave	No SORP guidance
Government Grants	The Code requires grants or contributions relating to capital expenditure to be credited to the Comprehensive Income and Expenditure Statement once any condition(s) of the grant has been satisfied	The SORP treated the grants and contributions as deferred income credited to the Income and Expenditure account over the useful life of the asset
Group Accounts	The Code's definition of an associate focuses on 'the power to participate in the financial and operating policy decisions of the investee'	The SORP's definition of an associate focuses on 'the ability to exercise' significant influence
Impairment	Under the Code there is no distinction between impairments due to the clear consumption of economic benefit and other impairments. All impairment losses on re-valued assets to be recognised in the Revaluation Reserve up to the amount on the Revaluation Reserve for each respective asset	The SORP required an impairment loss due to the clear consumption of economic benefit on a re-valued asset to be recognised in the Income & Expenditure Statement
Leases	The Code requires the land and buildings element of a lease of land and buildings to be classified and accounted for separately.	Not a SORP requirement
Leases	The 90% rule for quantifying "substantially all" when considering a finance lease, defined as "the present value of the minimum lease repayments amounts to at least substantially all of the Fair Value of the leased asset" no longer applies	90% rule applied in the SORP for assessing leases
Leases	The Code specifies the accounting treatment for arrangements containing a lease (IFRIC 4)	Not explicit in the SORP

Termination Benefits	The Code does not classify termination benefits as post-employment benefits but treats them as a separate category. The Code requires these to be charged immediately to the Surplus or Deficit on the Provision of Services should they vest or not	The SORP classified termination benefits as post-employment benefits

Other minor changes include:

- Investment Property – change in definition to stress that it covers property held solely to earn rentals or for capital appreciation or both. Properties meeting this definition are to be treated as investments generally rather than Property, Plant and Equipment. Annual revaluation is required, and movements in value are posted directly against the Surplus/Deficit on the Provision of Services.

- Revenue Grants – where revenue grants have no conditions attached they are recognised immediately in the Comprehensive Income and Expenditure Statement. If no expenditure is incurred are then posted to earmarked reserves. If there are grant conditions attached and the grant conditions are not fully met, revenue grants are recognised immediately in the Comprehensive Income and Expenditure Statement and then posted to the Revenue Grants Receipts in Advance on the Balance Sheet

- Intangible Assets – the definition of Intangible Assets has been extended to be more generous in relation to internally generated assets, provided that they are identifiable, are controlled by the Authority, and future economic benefits or service potential are expected to flow to the Authority.

- Borrowing costs – the Code gives authorities the power to capitalise borrowing costs for projects that take a substantial time to get ready.

- Assets held for sale – where an Authority determines that it will recover the carrying amount of a non-current asset principally through sale rather than continued use, it is now to be transferred to an Assets held for sale category and treated as inventory. A strict set of criteria should be treated as satisfied. Depreciation for this category is suspended. Downward movements in value are accounted for as impairment losses, but upward movements are limited to amounts that will reverse previously reversed losses.

- The Code now contains a formal true and fair override that might exceptionally be available to authorities that consider that specific requirements of the Code do not allow the presentation of a true and fair view.

- All material errors are to be corrected by prior period adjustment, rather than just fundamental errors.

Restatements due to IFRS changes are set out in Note 54.

Revenue Outturn Position

The Council's net revenue budget for 2010/11 was £131.6m. At 1 April 2010 the General Fund balance was £3.983m. The Council's under spend of £0.071m for 2010/11 meant that at the 31 March 2011 the General Fund balance was increased to £4.054m.

As per table 1 below the net revenue budget was funded by:

Area Based Grant	£10.7m
Revenue Support Grant	£4.7m
National Non Domestic Rates	£32.5m
Council Tax	£83.7m
Total	**£131.6m**

Table 1 below shows the net revenue outturn for 2010/11 compared to the net revenue budget approved at Budget Council on 25 February 2010. The net cost of services is gross expenditure less income from specific revenue grants, rents, fees & charges and other income. *(Note 28 shows a reconciliation between this Statement and the Comprehensive Income and Expenditure Statement)*

Table 1 – 2010/11 General Fund Outturn

	2010/11 Original Budget	2010/11 Revised Budget	2010/11 Outturn	2010/11 Over/ Under Spend
Environmental Services	22,363	22,142	21,398	(744)
Place & Regeneration	7,106	7,828	7,852	24
Learning & Children's Services	36,943	37,958	37,233	(725)
Adult Social Care Services	50,868	51,224	51,858	634
Corporate & One Council Services	(1,632)	9,014	9,267	253
Neighbourhoods	4,624	4,537	4,119	(418)
Net Cost Of Services	**120,272**	**132,703**	**131,727**	**(976)**
Levies	674	674	674	0
Contribution to/(from) Balances & Reserves	0	(1,770)	(1,770)	0
Total	**120,946**	**131,607**	**130,631**	**(976)**
Funded by:				
Revenue Support Grant	4,717	4,717	4,717	0
National Non Domestic Rates	32,486	32,486	32,486	0
Council Tax	83,743	83,743	83,743	0
Area Based Grant	0	10,661	9,756	905
Total	**120,946**	**131,607**	**130,702**	**905**
Net (under)/overspend	**0**	**0**	**(71)**	**(71)**

NB. The Area Based Grant was netted off against service expenditure in the original budget

Table 2 below shows the major revenue variations to budget for 2010/11.

Table 2 – Major Budget Variations 2010/11

Item	**£000s**
Community Care	1,327
Children's Services & Safeguarding	1,857
Primary Expansion Programme - abortive costs	312
Waste Management/ Recycling	407
Reduced income due to economic downturn	792
One off costs to facilitate future years' service and budget reductions	309
Eden quarter procurement abortive costs	206
Non-Operational Property	236
Transformation Programme Redundancy Costs	1,142
Transformed Services (further savings)	(853)
Housing Benefit Subsidy - increased claimants	168
In year Area Based Grant reduction	905
One off additional Income	(206)
Cessation of BSF Programme	(827)
In year expenditure restraint	(5,053)
Other Minor variations	(793)
Net Underspend	**(71)**

Variation Commentary

The first reported forecast out turn for the year predicted a £6.8m overspend for 2010/11. Regular budget monitoring reports to the Executive identified a range of significant budget pressures.

To manage these pressures, two exercises were co-ordinated by the Strategic Leadership Team (SLT) in a cohesive and sustained manner. The first was general expenditure restraint, whilst the second, known as ‘Closing the Gap’ was designed to identify in year savings that could be sustained in future years. These initiatives produced in year savings of £5.053m.

The announcement in June by the new government of in year grant reductions across the public sector, affected the Council by reducing its expected Area Based Grant (ABG) by £0.905m.

Other variations by directorate can be seen below:

- *Learning & Children’s Services*

The Prevention & Safeguarding services experienced an adverse variance of £1.857m. This was due to increases in caseload, due to more children being identified as being potentially at risk together with an increasing number of children with complex needs requiring support. This in turn led to an increase in legal costs with more complex cases requiring specialist counsel.

The Primary Expansion Scheme has been scaled down. This has led to fees that were previously capitalised, now being classified as abortive and written back to the revenue account. This action produced an in year budget pressure of £0.312m.

Some of these pressures, in part, were mitigated by the cessation of the Building Schools for the Future programme (BSF) announced by the Government in July 2010. Costs for this programme had been included in the 2010/11 budget and its cessation produced a favourable variance of £0.827m.

• *Adult Social Care*

The Residential, Nursing and Domiciliary Care services realised a total pressure of £1.327m during the year. There were continuing pressures for external residential care placements, particularly concerning adults with learning disabilities. There continued to be a small number of high cost placements for which officers have enacted measures to reduce. Demand for these services is driven by legal requirements and demographic growth within the Royal Borough.

• *Environmental Services and Place & Regeneration*

The waste management and recycling contract realised a pressure of £0.407m during 2010/11 which was attributed to increased tonnage and transfer charges.

The economic downturn continued to see a fall in the expected levels of income generated by services, particularly surrounding off-street car parking (£0.530m); business control income (£0.150m) and other smaller services (£0.112m).

• *Corporate Services*

The abortive costs surrounding the planned development in the Eden quarter area of Kingston led to a budget pressure of £0.206m. This was added to by loss of or reduced rental income and increased security costs at various non-operational properties, costing £0.236m.

The One Council programme continued at pace throughout 2010/11, designed to realise a better customer experience for our residents as well as introducing significant and sustainable savings. Further costs to the tune of £0.309m were experienced, but further in year savings of £0.853m in services that had already been transformed under the programme showed the sustainable benefit of the programme as a whole.

The transformation programmes within the Council as well as the planned Government cuts led to a redundancy cost budget pressure of £1.142m.

The Housing benefit subsidy area realised an in year pressure of £0.168m which was due to an increased number of claimants during the year.

There was £0.206m of additional, one-off income, received throughout the year which was primarily due to VAT rebates from HMRC concerning parking fees and charges dating back some 40 years as well as a better than expected realisation of LAA reward grant monies.

Table 3 shows comparable outturn information for the financial year 2009/10. The One Council programme, launched in March 2009, has produced a significant

change in the way the Council is organised. This change has led to innovative changes in service delivery to improve the Council's effectiveness and reduce costs. The change in the organisational structure has led to a change in the way the Council is structured and the service areas in which its budget performance is monitored. This is why the service areas reported differ between 2009/10 and 2010/11.

Table 3 – General Fund Out turn 2009/10

	2009/10 Original Budget	**2009/10 Revised Budget**	**2009/10 Outturn**	**2009/10 Over/ Under Spend**
Environmental Services	26,147	26,147	25,876	(271)
Learning & Children's Services	31,704	35,081	37,089	2,008
Community Services	48,692	51,317	52,280	963
Central Services	5,883	5,926	7,528	1,602
Neighbourhoods	4,792	4,792	5,009	217
Net Cost Of Services	**117,218**	**123,263**	**127,782**	**4,519**
Levies	643	643	642	(1)
Contribution to/(from) Balances & Reserves	0	0	(3,995)	(3,995)
Total	**117,861**	**123,906**	**124,429**	**523**
Funded by:				
Revenue Support Grant	6,876	6,876	6,876	0
National Non Domestic Rates	29,792	29,792	29,792	0
Council Tax	80,893	80,893	80,893	0
Collection Fund	300	300	300	0
Area Based Grant	0	6,045	6,045	0
LABGI	0	0	224	(224)
Total	**117,861**	**123,906**	**124,130**	**(224)**
Net (under)/overspend	**0**	**0**	**299**	**299**

It should be noted that amounts were transferred from earmarked reserve (totalling £3.995m) to cover additional expenditure for the One Council Programme (£2.215m in Central Services) and for the Building Schools for the Future Programme (£1.780m in Learning & Children's Services).
The Area Based Grants was netted off against service expenditure in the original budget.

Table 4 shows an analysis of the major budget variations for the financial year 2009/10:

Table 4 – Major Variances 2009/10

Item	**£000s**
Community Care	1,973
Children's Services & Safeguarding	1,028
Reduced Income due to the economic downturn	770
Interest and Capital Financing due to falling interest rates	859
One off costs to facilitate future years' service and budget reductions	303
Eden quarter procurement	237
Non-Operational Property (Ravens Ait)	457
Waste Management/ Recycling	164
Street lighting and signs energy costs	(171)
Housing Benefit Subsidy adjustments and overpayments income recovered	(674)
One Council Programme savings (in 2009/10 base budget but delivered through restraint)	1,675
In year expenditure restraint (net of minor variations)	(3,967)
One off additional income (VAT refund and LABGI)	(2,355)
Net Overspend	**299**

Housing Revenue Account

The Housing Revenue Account (HRA) accounts for the costs of housing people in Council-owned accommodation. The Local Government and Housing Act 1989 requires this income and expenditure to be ring-fenced. The HRA cannot be subsidised by the General Fund. The net outturn in 2010/11 for the HRA was a net surplus of £0.489m. This increased the HRA balance at 31 March 2011 to £2.463m.

The surplus was generated by a favourable variance against expenditure of £0.710m mainly due to making no voluntary repayment of debt as is allowed under HRA regulations and a decrease in expenditure against support services as a result of the Council's One Council programme. £0.150m was also saved in year as a result of the Council's *One*Council programme. Income resulted in an adverse variance of £0.371m mainly due to the in year reduction by government of the Supporting People grant and a reduction in service charge receipts.

Capital Outturn Position

Since the capital programme of £56.835m was approved by the Budget Council in February 2010 there have been amendments to the programme. The amendments relate to new additions, slippage brought forward from 2009/10, slippage carried forward to 2011/12 and allowance made for revenue expenditure funded from capital under statute resulting in the outturn figure of £27.967m.

Table 5 below summarises capital expenditure by service area:

Table 5 - Capital Expenditure 2009/10 & 2010/11

	2009/10 £000s	2010/11 £000s
General Fund		
Schools	13,087	14,483
Adult Education, Youth, Children & Families	3,521	2,050
Leisure, Libraries & Culture	975	380
House Renovation Grants	1,277	1,018
Other Housing	57	680
Cemeteries, Crematorium, Registry & Swallow Park	353	0
Adult Social Services	2,518	351
Environmental Services	5,339	2,958
Central Services	2,687	2,242
TOTAL GENERAL FUND PROGRAMME	**29,814**	**24,162**
Housing Revenue Account	6,621	3,805
TOTAL PROGRAMME	**36,435**	**27,967**

Table 6 below shows how this expenditure was financed:

Table 6 – Capital Financing 2009/10 & 2010/11

	2009/10 £000s	2010/11 £000s
Loans	3,059	3,892
Direct Revenue Financing	2,344	3,092
Grants & Contributions	27,298	19,424
Capital Receipts	1,323	701
Earmarked Reserves (Capital)	2,411	858
Total	**36,435**	**27,967**

Material Items

There are two material items in the Comprehensive Income and Expenditure Statement.

The first is discussed below under the *Pensions Liability* heading; this appears in the Non-distributed costs line of the Comprehensive Income and Expenditure Statement.

The second relates to the revaluation loss surrounding Council dwellings due to a change in calculation advised by the Department of Communities and Local Government for the value of social housing. Previously the value of social housing was taken to be 37% of the vacant dwelling value of the property, this has now been changed to 25%. The revaluation loss is shown in the Housing Revenue Account.

Pensions Liability

The Council's actuary has calculated, in accordance with IAS19 that pension fund assets, in 2010/11, have increased in value by £20.5m whilst pension fund liabilities, in 2010/11, have decreased by £62.2m. This has led to a decrease of £82.7m to £188.9m in the Council's overall pensions liability.

The decrease in the fund liabilities are explained by the change from the Retail Prices Index (RPI) to Consumer Prices Index (CPI) linked to increases to local government pensions in payment and deferred pensions with effect from 1 April 2011. Over the long term CPI increases are expected to be lower than RPI increases and this change gives rise to a reduction in the defined benefit obligation on the Balance Sheet. This change also reduces this (and future) periods' current service cost and interest cost.

In common with other Local Authorities, the Council's pension provision is by way of a funded scheme.

Group Accounts

Group Accounts have not been included in the 2010/11 Statement of Accounts on the grounds that they do not have a material effect on the overall financial statements and therefore their inclusion would not provide any further benefit to the users of the Statement of Accounts.

In previous years, the Group Accounts included the activities of the Council and Kingston Theatre Limited Liability Partnership (LLP), the principal activity of this company is to own and manage the property in High Street, Kingston upon Thames known as the Rose Theatre. The Council and Kingston University are the designated members of Kingston Theatre LLP. Kingston Theatre LLP was, and is still, considered to be a subsidiary of the Council. Contact details for the procurement of the full accounts for Kingston Theatre LLP can be seen in Note 53. The accounts are also available on the Council website. It should be noted that the tenant of the Rose Theatre is the Kingston Theatre Trust which does not have a group relationship with the Council.

The Council's shareholding in the LLP is recognised as an investment within the accounts and measured at Fair Value. The Council's share of any profits made by the LLP has been recognised through the Council's Comprehensive Income and Expenditure Statement.

Collection Fund

The Council has reported a surplus of £2.016m for 2010/11. This surplus will be taken into account in the Council Tax setting process for 2012/13. Only the Council's share of this balance is treated as a Council reserve.

Current Borrowing and Capital Resources

The borrowings disclosed in Note 15 to the Financial Statements relate to the financing of capital expenditure incurred in 2010/11 and earlier years.

All of the Council's borrowing (£144.3m) has been borrowed from the Public Works Loans Board and the money markets. This figure differs from the figure reported in the Balance Sheet because of the accounting arrangements for the financial assets and liabilities explained in the Statement of Accounting policies. This means that the Balance Sheet figure includes accrued interest (£1.7m) and accounting adjustments (£1.1m)

Future capital expenditure will be financed from borrowing, in accordance with the Council's treasury management strategy, revenue contributions, sales of fixed assets, capital grants and contributions and relevant funds within earmarked reserves.

Significant Provisions or Contingencies

There are no significant provisions or contingencies to report within this Explanatory Foreword. Provisions and Contingent liabilities are disclosed further in Notes 22 and 49.

Financial Outlook

Public Sector finances have been making headlines throughout the past year. Much of the focus has been on the national public sector deficit and the Government's plans to balance the books during the next four years.

The consequence of these plans will be far reaching for local government finances, for instance grants to Local Authorities are falling whilst the cost of providing some public services is rising. The challenge facing Local Authorities is significant in that we must manage increasing demands on our resources whilst facing the largest and most rapid reduction imposed in living memory.

The Government made a number of significant announcements about changes in Kingston's levels of funding last year. In May 2010 Kingston lost £2.3m as part of the Government's in year budget reductions for all local authorities, which meant that services had to be reduced in some areas. The Comprehensive Spending Review in October 2010 set out the headline funding and policy changes relating to local government as a whole.

The overall reductions in local government funding of 26% over four years appeared at first to be in line with our expectations. However, further analysis revealed that the headlines masked both the true impact of the cuts and the speed with which reductions would need to be made. We now face this level of reduction in the next two years, not the next four.

In line with recent years, Kingston was one of the Authorities most poorly served by the Finance Settlement which was belatedly announced in December 2010. The delayed announcement included two late changes to the usual system of grant distribution; firstly an additional transitional sum was made available for those authorities worst affected; secondly and more directly relevant to Kingston, the maximum reduction in grant allowable was varied depending on how 'reliant' an Authority has been on central government funding.

Even when overall funding settlements have been generous, Kingston has tended to receive proportionately very small amounts of additional central government funding. Given this, we fully expected the 2011/12 settlement to be different as it was reducing funding rather than increasing it and we believed that we would be proportionately less affected than those authorities that had received most benefit from government funding in recent years. The second change to the grant system meant that this was not the case. The grant distribution system had meant that Kingston was forced to become more reliant on Council Tax. We are now subject to an even greater grant reduction because we are considered less reliant on central government funding.

Table 7 below shows changes to Kingston's funding in comparison to London and national averages:

Table 7 – RBK Funding Comparison

Formula Grant Change	**2011/12**	**2012/13**
Kingston upon Thames	-14.3%	-9.8%
Inner London Boroughs	-11.2%	-7.4%
Outer London Boroughs	-11.3%	-7.9%
England	-9.9%	-7.3%

This meant that Kingston had to identify £13.2m of savings for the 2011/12 budget after growth and inflation had been taken into account and on top of the reduction in government funding. The savings were identified as follows:

2011/12 planned savings through the *One*Council programme	£4.7m
Ongoing impact of work to identify in year savings during 2010/11	£1.7m
New budget Savings	£6.8m

The Council has embedded the Medium Term Financial Strategy (MTFS) coupled with service delivery planning within its business planning framework. MTFS will continue to be the vehicle for allocating resources to the Council's priorities, driving through efficiency savings and monitoring their delivery. It provides the Council with a robust 3-year financial plan and a forum for challenging budget and service proposals, identifying and developing savings and efficiencies; and dealing with significant financial risks.

Service Delivery Developments

The reduction in government funding means that all local authorities will have to rethink the way services are delivered. Kingston has already embarked on this journey through the *One*Council Programme which was launched in March 2009 to help deliver the Council's vision for the Royal Borough. The programme will deliver £22.9m of savings over four years but it is not simply about cutting costs; it is about doing things differently, in ways that will improve the effectiveness of the services we offer and the ways in which we reduce our expenditure.

Looking forward, our focus is on developing the *One*Kingston programme – working closely with our partners to create a more integrated approach to how we plan, shape and realise our vision for the Royal Borough.
Our vision is for a Kingston:

- Which has a national reputation as the best place to live and work
- Where residents are confident about the future – a place where things happen
- Where residents consider the services that matter most are of a high quality
- Which has an outstanding reputation for innovation, engagement and designing services with users

To achieve our vision we work with our partners in the Kingston Strategic Partnership to deliver the ten objectives within the Kingston Plan – these are grouped under three cross-cutting themes:

- A Sustainable Kingston: protecting and enhancing the environment for us and for future generations
- Prosperous and inclusive; sharing prosperity and opportunity

- Safe, Healthy and Strong; preventing problems and promoting responsibility and independence

We already have a number of projects underway within the *One*Kingston programme:

- Local Integrated Services pilot (Norbiton Working Together)
- Aligning Health and Social Care
- Social Enterprise and Voluntary Sector capacity building
- Community Engagement and Consultation
- Redevelopment of the Surbiton Hospital Site
- Preparation of the Olympic Games Cycle road races

Commissioning will be at the heart of our work within the *One*Kingston programme so that we deliver our services more effectively and efficiently. We will be looking at how services can be delivered differently rather than allowing our thinking to be constrained by how things have been done in the past. We do not necessarily need to be the direct provider to ensure that our residents receive the services that matter most to them, at the highest quality.

Our approach to commissioning puts decision making at the heart of communities and we will be working with business partners and providers across all sectors to ensure that we can deliver the most effective services.

We are working with stakeholders within our Borough and across South London in partnership with other authorities to take opportunities to commission services jointly where we can deliver outcomes for Kingston in a more effective way.

Our vision of using a shared services approach to commission for the desired changes and savings needed to meet the outcomes needed for Kingston will be rooted in local democratic accountability, requiring the strong and enduring commitment of our local partners and real follow through from the coalition government in creating more freedom for local partners to act together to deliver a local vision.

By focusing on commissioning with others there will be space and opportunity through collaboration to reshape the way services are provided, potentially bringing about the integration of services into new ways of delivering and saving money. The approach will always focus on what is best for achieving the outcomes we seek for our communities, using a range of options including sharing staff, using arms length companies, buying from the market and creating social enterprises

Post Balance Sheet Events

There are no post balance sheet events to report.

Leigh Whitehouse LLB CPFA
Director of Finance
30 June 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. From 1 April to 16 May 2010, the statutory Chief Finance Officer was the Head of Financial Services; from 17 May 2010 onwards, the statutory Chief Finance Officer was the Director of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- approve the Statement of Accounts.

Responsibilities of the Director of Finance

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Local Authority Code.

The Director of Finance has also:

- kept proper accounting records which were up to date, and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF THE DIRECTOR OF FINANCE

I certify that the Accounts set out on pages 23 to 128 present a true and fair view of the financial position of the Royal Borough of Kingston upon Thames as at 31 March 2011 and its income and expenditure for the year then ended.

Leigh Whitehouse
Director of Finance
30 June 2011

As authorised by the Executive of the Council on 29 September 2011

Councillor Derek Osbourne
Leader of the Council and Chair of the Executive
29 September 2011

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

BALANCE SHEET

CASH FLOW STATEMENT

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked Housing Revenue Account Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2010	(3,983)	(23,170)	(1,974)	0	0	(581)	(597)	(30,305)	(389,102)	(419,407)
Movement in reserves during 2010/11								0		
(Surplus) or deficit on the provision of services (accounting basis)	(30,916)		93,077					62,161		62,161
Other comprehensive income and expenditure								0	(82,356)	(82,356)
Total comprehensive income and expenditure	(30,916)	0	93,077	0	0	0	0	62,161	(82,356)	(20,195)
Adjustments between accounting basis and funding basis under regulations *(Note 7)*	30,097		(93,566)		(1,007)	459	207	(63,810)	63,810	0
Net (increase) or decrease before transfers to earmarked reserves	(819)	0	(489)	0	(1,007)	459	207	(1,649)	(18,546)	(20,195)
Transfers to or (from) earmarked reserves *(Note 8)*	748	(748)						0		0
(Increase) or decrease in year	(71)	(748)	(489)	0	(1,007)	459	207	(1,649)	(18,546)	(20,195)
Balance at 31st March 2011	(4,054)	(23,918)	(2,463)	0	(1,007)	(122)	(390)	(31,954)	(407,648)	(439,602)

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked Housing Revenue Account Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2009	(4,282)	(28,296)	(2,512)	0	0	(248)	(411)	(35,749)	(486,414)	(522,163)
Movement in reserves during 2009/10								0		0
(Surplus) or deficit on the provision of services (accounting basis)	22,709		(494)					22,215		22,215
Other comprehensive income and expenditure								0	80,541	80,541
Total comprehensive income and expenditure	22,709	0	(494)	0	0	0	0	22,215	80,541	102,756
Adjustments between accounting basis and funding basis under regulations *(Note 7)*	(17,284)		1,032			(333)	(186)	(16,771)	16,771	0
Net (increase) or decrease before transfers to earmarked reserves	5,425	0	538	0	0	(333)	(186)	5,444	97,312	102,756
Transfers to or (from) earmarked reserves *(Note 8)*	(5,126)	5,126						0		0
(Increase) or decrease in year	299	5,126	538	0	0	(333)	(186)	5,444	97,312	102,756
Balance at 31st March 2010	(3,983)	(23,170)	(1,974)	0	0	(581)	(597)	(30,305)	(389,102)	(419,407)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10 Gross Expenditure Restated	2009/10 Gross Income	2009/10 Net Expenditure		Notes	2010/11 Gross Expenditure	2010/11 Gross Income	2010/11 Net Expenditure
£'000	*£'000*	*£'000*			*£'000*	*£'000*	*£'000*
			Continuing Operations				
16,656	(13,738)	2,918	Central services to the public		17,255	(14,526)	2,729
36,896	(7,737)	29,159	Cultural, environmental, regulatory and planning services		42,885	(9,954)	32,931
169,568	(136,599)	32,969	Education and children's services		192,610	(145,093)	47,517
25,937	(12,482)	13,455	Highways and transport services		38,350	(15,959)	22,391
25,406	(27,386)	(1,980)	Local authority housing (HRA)		118,949	(27,165)	91,784
74,541	(71,593)	2,948	Other housing services		78,714	(70,320)	8,394
65,121	(20,044)	45,077	Adult social care		63,163	(18,954)	44,209
0	0	0	Exceptional costs of social care legal settlements		0	0	0
3,524	(106)	3,418	Corporate and Democratic Core		3,891	(65)	3,826
858	(35)	823	Non Distributed Costs		(61,126)	(34)	(61,160)
0	(1,107)	(1,107)	Exceptional items not included above		0	0	0
0		0	(Surplus) or deficit of trading operations and other operations		0	0	0
418,507	(290,827)	127,680	Net Cost of Services		494,691	(302,070)	192,621
		17,436	Other operating expenditure	*9*			5,198
		18,471	Financing and investment income and expenditure	*10*			11,491
		0	Surplus or deficit of discontinued operations				
		(141,372)	Taxation and non-specific grant income	*11*			(147,149)
		22,215	(Surplus) or Deficit on the provision of services				62,161
		16,699	(Surplus) or Deficit on revaluation of non-current assets				(57,465)
		(1,183)	(Surplus) or Deficit on revaluation of available for sale financial assets				9
		65,900	Actuarial (gains) or losses on pension assets and liabilities	*47*			(24,900)
		(875)	Other comprehensive income and expenditure				0
		102,756	Total comprehensive income and expenditure				(20,195)

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 Apr 2009 *£'000* Restated	31 Mar 2010 *£'000* Restated		Notes	31 Mar 2011 *£'000*
		Long term assets		
801,867	775,246	Property, plant & equipment	*12*	706,109
25,395	25,390	Investment property	*13*	26,545
52	540	Intangible assets	*14*	906
0	0	Assets held for sale	*20*	0
22,898	12,595	Long term investments	*15*	5,200
756	373	Long term debtors		355
850,968	814,144	*Total long term assets*		739,115
		Current assets		
51,629	43,366	Short term investments	*15*	39,991
0	0	Assets held for sale	*20*	136
94	91	Inventories	*16*	67
27,901	30,535	Short term debtors	*18*	26,778
2,123	227	Cash & cash equivalents	*19*	3,666
81,747	74,219	*Total current assets*		70,638
		Current liabilities		
0	0	Cash & cash equivalents	*19*	0
(11,444)	(7,840)	Short term borrowing	*15*	(16,809)
(43,780)	(35,790)	Short term creditors	*21*	(27,723)
(3,767)	(4,446)	Capital grants receipts in advance	*38*	(3,843)
0	0	Provisions	*22*	(290)
0	0	Liabilities in disposal groups		0
(58,991)	(48,076)	*Total current liabilities*		(48,665)
		Long term liabilities		
0	0	Long term creditors		0
(3,845)	(3,038)	Provisions	*22*	(2,365)
(151,516)	(146,211)	Long term borrowing	*15*	(130,265)
(196,200)	(271,631)	Other long term liabilities	*47*	(188,856)
0	0	Donated assets account		0
n/a	n/a	Capital grants receipts in advance	*38*	0
(351,561)	(420,880)	*Total long term liabilities*		(321,486)
522,163	419,407	**Net Assets**		439,602
		Reserves		
(35,749)	(30,305)	Usable reserves	*23*	(31,954)
(486,414)	(389,102)	Unusable reserves	*24*	(407,648)
(522,163)	(419,407)	**Total reserves**		(439,602)

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2009/10 *£'000*		2010/11 *£'000*
22,215	Net surplus or deficit on the provision of services	62,161
	Adjust for:	
(24,190)	non-cash movements and investing and financing activities	(71,799)
(1,975)	Net cash flows from operating activities *(Note 25)*	(9,638)
(7,319)	Investing activities *(Note 26)*	59
11,190	Financing activities *(Note 27)*	6,140
1,896	Net (increase) or decrease in cash and cash equivalents	(3,439)
2,123	Cash and cash equivalents at the beginning of the reporting period	227
227	Cash and cash equivalents at the end of the reporting period	3,666

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i). General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the *Best Value Accounting Code of Practice 2010/11*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.
.
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii). Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

• Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

• Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

• Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

• Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

• Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

• Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii). Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in, no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This includes Call Accounts, Money Market Funds and Instant Access Accounts that are held to meet short-term cash flow requirements. It does not include fixed term deposits as they are not readily convertible to cash and, in certain market conditions, there could be a risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv). Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

v). Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi). Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii). Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

• The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

• The Local Government Pensions Scheme, administered by the Royal Borough of Kingston upon Thames
.
Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

• The liabilities of the Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

• Liabilities are discounted to their value at current prices, using a discount rate of 6.8% and long dated gilts plus 2.3% pa, which is considered to be a prudent view of the expected outperformance (above gilt returns) of the Fund's assets.

• The assets of the Pension Fund attributable to the Authority are included in the Balance Sheet at their Fair Value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price

- property – market value.

- The change in the net pensions liability is analysed into seven components:

  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

  - contributions paid to the RBK Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii). Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

• those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

• those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix). Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at Fair Value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of

repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at Fair Value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has made a loan to Kingston Theatre Trust at less than market rates (soft loan). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the Kingston Theatre Trust, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund

Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at Fair Value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at Fair Value. Values are based on the following principles:

• instruments with quoted market prices – the market price

• other instruments with fixed and determinable payments – discounted cash flow analysis

• equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in Fair Value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or Fair Value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of Fair Value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where Fair Value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

x). Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where a revenue grant without conditions is received but not utilised it is posted to a specific earmarked reserve.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital

Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xi). Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the Fair Value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii). Interests in Companies and Other Entities

The Authority has a subsidiary in the form of Kingston Theatre Limited Liability Partnership (LLP). The interest in the company is not material and therefore it is not incorporated into Group Accounts in the Statement of Accounts as its inclusion would not provide any further benefit to the reader of the accounts.

In the Authority's own single-entity accounts, the interest in Kingston Theatre LLP is recorded as an investment.

xiii). Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv). Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at Fair Value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xv). Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the

expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvi). Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys the right to use all but an insignificant amount in the utility of the asset.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its Fair Value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

• a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

• a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life

(where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority’s net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a credit applied to write down the lease debtor (together with any premiums received) in the balance, and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element

for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

IFRS transition rules allow for the movement between the deferred capital receipt reserve and the capital receipts reserve to be avoided for leases which have been reclassified from operating to finance leases under IFRS and were in place before 31 March 2010. The transition rules allow for the lease debtor written down income to continue to be classed as revenue income and not capital receipt.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii). Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

• Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.

• Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xviii). Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are

expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority, the cost of the item can be measured reliably and the expenditure is directly attributable to bringing the asset into use. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

• the purchase price

• any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its Fair Value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at Fair Value. The difference between Fair Value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

• infrastructure, community assets and assets under construction – depreciated historical Cost

• dwellings – Fair Value, determined using the basis of existing use value for social housing (EUV-SH)

• all other assets – Fair Value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of Fair Value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of Fair Value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for Fair Value.

Assets included in the Balance Sheet at Fair Value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their Fair Value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

• where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

• where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

• where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

• where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement,

up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

• dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer

• vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

• infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and Fair Value less costs to sell. Where there is a subsequent decrease to Fair Value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in Fair Value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xix). Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xx). Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxi). Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been

charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxii). VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxiii). Council Tax and Business Rates

As a billing authority, the Royal Borough of Kingston maintains a Collection Fund to account for Council Tax and business rates and their dispersal.

Council Tax is collected by the Borough on behalf of the Greater London Authority, who precept on the Collection Fund in accordance with statute. However, for accounting purposes, the Borough recognises the amount due to the GLA but not paid at year-end as a creditor. The Borough maintains a Collection Fund Adjustment Account for the difference between accounting and statutory arrangements.

Business rates are collected by the Borough on behalf of the national pool which pays out a share to the Borough based on local population. The amounts collected are paid into the pool and the Borough recognises as a debtor the amount paid to the national pool but not yet paid by business ratepayers.

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the Authority in the 2011/12 financial statements.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Authority is able to recognise more of its collections of heritage assets in the Balance Sheet.

The Authority currently does not hold any assets on the Balance Sheet which under FRS30 may be reclassified as heritage assets.

The Authority does not hold the following assets on the Balance Sheet. Under FRS30 it is unlikely that most of these assets will be held on the Balance Sheet at all as seeking valuation of these assets is either impossible or would cost too much to be commensurate with benefits to the users of the financial statements.

- **Museum Collection –** 5,125 items catalogued with most at insignificant value or which are costly or impossible to value. There is also no information detailing historical cost.
- **Art Collection –** 600 items catalogued with most at insignificant value or which are costly or impossible to value. There is also no information detailing historical cost but there is the possibility of applying a value through insurance valuation and disclosing on the Balance Sheet.
- **Eadweard Muybridge Collection –** the collection of an early photographic pioneer donated to the Authority at the end of his life. Some items are highly collectible but seeking a valuation basis is impossible due to their unique nature.
- **Local History Collection –** 4,788 items catalogued with most at insignificant value or which are costly or impossible to value. There is also no information detailing historical cost.
- **Archives –** 80% of the collection relates to the Royal Borough of Kingston as an entity, this includes royal charters, whilst 20% of the collection includes records deposited by other bodies. 700 items are catalogued with most at insignificant value or which are costly or impossible to value. There is also no information detailing historical cost.
- **Civic Regalia –** there will be a possibility of applying a value through insurance valuation and disclosing on the Balance Sheet.
- **Guildhall Paintings -** there will be a possibility of applying a value through insurance valuation and disclosing on the Balance Sheet.
- **Public Art –** sculptures and mosaics in public areas. Impossible to value and no information on historic cost.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government beyond the published Local Authority Finance Settlement for 2011/12 and 2012/13. However, the Authority has determined that this

uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- Group Accounts have not been included in the 2010/11 Statement of Accounts on the grounds that they do not have a material effect on the overall financial statements and therefore their inclusion would not provide any further benefit to the users of the Statement of Accounts.

  In previous years, the Group Accounts included the activities of the Council and Kingston Theatre Limited Liability Partnership (LLP), the principal activity of this company is to own and manage the property in High Street, Kingston upon Thames known as the Rose Theatre. The Council and Kingston University are the designated members of Kingston Theatre LLP. Kingston Theatre LLP was, and is still, considered to be a subsidiary of the Council. Contact details for the procurement of the full accounts for Kingston Theatre LLP can be found in Note 53 to the main statements. It should be noted that the tenant of the Rose Theatre is the Kingston Theatre Trust which does not have a group relationship with the Council.

  The Council's shareholding in the LLP is recognised as an investment within the accounts and measured at Fair Value. The Council's share of any profits made by the LLP has been recognised through the Council's Comprehensive Income and Expenditure Statement.

  The South London Waste Partnership (SLWP), while by strict definition a joint venture with three other Boroughs, is not included for consideration in being part of the Group Accounts. It is merely a cost sharing arrangement where there is no intention to make profit. The entity does not trade but instead collects cost from the waste activities of the four Boroughs which are paid for, proportionately by the four Boroughs, similar to a levying arrangement. The proportionate cost of the entity is shown in the Council's single entity accounts. The SLWP also does not have any Long Term Assets on its Balance Sheet.

- Land leases where the Authority is lessor have been treated as operating leases if the length of the lease term is under 150 years and finance leases where the length of the lease term is over 150 years, unless there are exceptional circumstances.

- Accruals Materiality. As per the Code, these accounts have been prepared under the concept of materiality. Specifically the Authority has stipulated a de minimis level for accruals set at £5k for revenue accruals and £10k for capital accruals. There is a caveat where not making an accrual below the de minimis level would have a material effect to the service e.g. individual schools.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Assumptions in the calculation of depreciation**

  With regard to the componentised depreciation of Council dwellings, the Authority has chosen to use the Major Repairs Allowance (MRA) as a proxy for depreciation as allowed through the *Stock Valuation for Resource Accounting – Guidance for Valuers 2010,* produced by the Department for Communities and Local Government. This is only allowed if the Authority can demonstrate that there is not a material difference between the MRA and the actual charge for depreciation. Calculations have shown that componentised depreciation of the housing stock produced a 2010/11 depreciation charge of £4.19m whilst the MRA for 2010/11 was £4.05m.

  The Code has now also crystallised the requirement for Authorities to componentise their assets so as to reflect a more accurate charge for depreciation in the accounts. Previously, Local Authorities split their assets between land and buildings and depreciated the building element. The introduction of component depreciation is not retrospective. In practical terms assets to be subject to component depreciation in 2010/11 are those that have been valued at 1 April 2010 (as part of the 5 year rolling valuation cycle) and those that have had significant capital expenditure applied to them. The Authority has a policy of not depreciating in year capital expenditure as this is not material. The Authority, as suggested by Code guidance also set a 'de minimis' level for assets that were valued in 2010/11 to be subject to componentisation. This was set at 1% of building value for the total net book value of General Fund assets as valued at 1 April 2009. This meant that individual buildings with a value above £2.6m were valued and componentised in 2010/11. This ensured that 71% of the total value of General Fund buildings were subject to componentisation. Component types, residual lives and useful economic lives were sought from the professionals charged with maintaining the Authority's General Fund property portfolio.

  As assets are depreciated over useful lives, they are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Due to well publicised cuts in Local Authority funding, the Authority may not be able to continue its level of expenditure on repairs and maintenance which in turn may reduce the useful lives of the

assets. If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls.

- **Assumptions about future events affecting provisions**

  The Authority has just under £2.7m balances on provisions at 31 March 2011, a relatively small sum.

  The vast majority of this (£1.675m) relates to the Insurance Fund provision which meets the cost of that part of any liability that falls below insurance deductible and is therefore not funded by the Council's insurance policy. This provision is updated on an annual basis from known claims and actuarial calculation. These actuarial reviews update both the provision and the Insurance earmarked reserve which is held as a surplus to the provision.

  The remaining balances of provisions of just under £1m are concerned with:

  Potential reimbursement of local land charges dating back to 2005 after a change in regulations. The potential reimbursement has been accurately calculated by the Council's legal team and will be updated in 2011/12 as settlement is reached and agreed with government concerning the nature of the liability and individual claimants.

  A potential payment to the London Pensions Fund Authority in respect of a requirement to contribute towards a deficit on the fund subject to regulatory issues being resolved. This amount is updated annually by the LPFA and all London Boroughs are updated with an amount indicating their share.

  Other provisions are to do with *One*Council redundancy costs. These provisions indicate redundancy costs that are imminent but where timings and amounts are still to be agreed in full. However, current calculations give a satisfactory indication of the level of provision required. There are also a number of small provisions concerning contractor equipment and potential dilapidations on property vacated by the Authority that have been accurately estimated.

  The Authority is satisfied that there are no other provisions to be included and that the amounts provided for do not have the potential to differ materially from those estimated. The insurance provision is calculated based on an independent actuarial valuation.

  Amounts that are due to fall in less than one year are now shown in Current Liabilities whilst all other amounts are shown in Long Term Liabilities on the Balance Sheet.

- **Principal actuarial assumptions used at the Balance Sheet date in respect of defined benefit pension plans**

  The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £36.2m.

  However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £13.57m as a result of the estimates being corrected as a result of experience and decreased by £16.24m attributable to updating of the assumptions.

- **Assessment of the recoverable amounts of arrears and other debtors**

  The main debts that are provided for through provisions for bad and doubtful debts relate to National Non Domestic Rates collection; Council Tax Collection and Housing Rent and service and leaseholder charges collection. These debtors have a specific provision which is calculated on past experience of collection rates and current economic conditions and debt recovery performance. Provisions are made for sundry debtors which make up a smaller proportion of the Authority's debts.

  Government grant debtors and debtors due to timing differences are generally not provided for unless there are specific circumstances that would deem it prudent.

- **Fair Value of property, plant and equipment not based on recently observed market prices**

  Valuations

  The valuation of the Authority's property portfolio is in accordance with a 5 year rolling programme as stated by the 'Code of Practice on Local Authority Accounting in the United Kingdom 2010/11'. The Authority uses the following criteria to ensure that property is valued at least once during this period. The criteria for valuations each year are:

  ■ all Investment Property.
  ■ all assets above a material value. The material value is taken to be 1% of the total carrying value of the building element of the Authority's properties (excluding Investment Properties).
  ■ where expenditure on an asset is above material value and the acquisition or enhancement has become operational in year.
  ■ any properties that have reached the maximum interval between valuations of 5 years.

  This means that, for example, in 2010/11, a total of 263 General Fund Assets were valued which equals a large proportion of the Council's property portfolio.

HRA properties were valued by the District Valuer, Mr M Checksfield MRICS, under instruction from the Authority's Valuation services whilst General Fund properties were valued by the Authority's Valuation Services, headed by Mr J.Mitchell FRICS, the Authority's Acting Borough Valuer.

Freehold and leasehold property owned by the Council has been valued in accordance with the Statement of Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors as recommended by the Chartered Institute of Public Finance and Accountancy. Details of the valuation bases are shown below:

HRA property

The valuation of Housing Revenue Account stock is in accordance with the Department for Communities and Local Government (DCLG) guidance – *Stock Valuation for Resource Accounting 2010 – Guidance for Valuers*. The basis of valuation for operational property is Fair Value (taken to be market value for existing use) for non-housing property and Fair Value for Social Housing. Fair value for Social Housing is taken to be 25% of the market value for existing use. These percentages are prescribed by the DCLG and represent a change from previous years when the percentage was prescribed as 37%. This has meant that although the unadjusted value of RBK housing stock has risen by around £30m the adjusted value has decreased by around £98m.

Infrastructure Assets, Community Assets and Assets under Construction (excluding Investment Property)

These items are valued at historic cost in accordance with the Code.

All other Property, Plant and Equipment

These items are valued at Fair Value. The Code defines "fair value as the amount for which the asset could be exchanged between knowledgeable, willing parties in an arms-length transaction". This is interpreted as the amount that would be paid for the asset in its existing use (UKPS 1.3 of the RICS Valuation Standards).

Where there is no market-based evidence of Fair Value because of the specialist nature of the asset and/or an asset of this type is rarely sold, Fair Value is the Depreciated Replacement Cost (DRC).

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement they are revealed in this note.

• *Other operating expenditure* is broken down in Note 9 to the accounts and includes the payment of levies (£0.675m); payments to the Government Housing Capital Receipts Pool (£0.678m) and the gains/losses on the disposal of non-current assets (£3.845m).

• *Non-distributed costs within the Cost of Services in the Comprehensive Income & Expenditure Statement* contains the IAS19 actuaries calculation for past service costs which represents the value of additional benefits granted which vest over the accounting period. This, for 2010/11 was calculated as £(57.7m).

Following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, CPI is expected to be less than RPI over the long-term which means that the defined benefit obligation has reduced. The actuaries consider this policy change to the constructive obligation to provide certain benefits to scheme members giving rise to the recognition of a negative past service cost.

• *Education and children's services* – contains £0.312m of previously capitalised fees written off due to the cancelling of particular capital schemes.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2011. At this date there were no post balance sheet events to report. Events taking place after this date are not reflected in the financial statements or notes.

7. ADJUSTMENTS BETWEEN FUNDING BASIS AND ACCOUNTING BASIS UNDER REGULATIONS.

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves					
	General Fund Account	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
2010/11						
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure statement						
Charges for depreciation of non-current assets	(19,397)	(4,432)				23,829
Impairment of non-current assets	0	(180)				180
Revaluation losses on property, plant and equipment	(28,191)	(92,382)				120,573
Movements in the market value of investment properties	970	285				(1,255)
Amortisation of intangible assets	(248)	(12)				260
Capital grants and contributions applied	19,134	264				(19,398)
Movement in the Donated assets account	0	0				0
Revenue expenditure funded from capital under statute	(4,550)	(30)				4,580
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income & expenditure statement	(2,948)	(1,797)				4,745
Insertion of items not debited or credited to the comprehensive income & expenditure account						
Statutory provision for the financing of capital investment	5,603	0				(5,603)
Capital expenditure charged to the General Fund and HRA balances	932	3,043				(3,975)
Sub-total for **Capital Adjustment Account**	(28,695)	(95,241)				123,936
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the comprehensive income & expenditure statement	295	0			(295)	
Application of grants and contributions transferred to the Capital Adjustment Account	(502)				502	0
Sub-total for **Capital Grants Unapplied Account**	(207)	0			207	0
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income & expenditure statement	5	903	(908)			
Use of capital receipts reserve to finance new capital expenditure			701			(701)
Contribution from capital receipts reserve towards the administrative costs of non-current asset disposals	0	0	0			
Contribution from capital receipts reserve to finance payments to the capital receipts pool	(678)		678			
Transfer from deferred capital receipts reserve upon receipt of cash			(12)			12
Sub-total for **Capital Receipts Reserve**	(673)	903	459			(689)
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income & expenditure statement	(10)	0				10
Adjustments primarily involving the Major Repairs Reserve						
Reversal of major repairs allowance credited to HRA		4,050		(4,050)		
Use of major repairs allowance to finance new capital expenditure		(3,043)		3,043		
Sub-total for **Major Repairs Reserve**		1,007		(1,007)		0
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the comprehensive income & expenditure statement on an accruals basis is different from finance costs chargeable in the year in accordance with statutory requirements	(53)	(8)				61
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to the retirement benefits debited or credited to the comprehensive income & expenditure statement	40,699	(999)				(39,700)
Employer's pension contributions and direct payments to pensioners payable in the year	17,402	772				(18,174)
Sub-total for **Pension Reserve**	58,101	(227)				(57,874)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the comprehensive income & expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	1,378					(1,378)
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account						
Amount by which amounts charged for equal pay claims to the comprehensive income & expenditure statement is different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0				0
Adjustment primarily involving the Accumulated Absences Account						
Amount by which employee remuneration charged to the comprehensive income & expenditure statement is different from remuneration chargeable in the year in accordance with statutory requirements	256	0				(256)
Total Adjustments	30,097	(93,566)	459	(1,007)	207	63,810

	Usable Reserves					
	General Fund Account	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
2009/10 Comparative figures						
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure statement						
Charges for depreciation of non-current assets	(15,421)	(4,128)				19,549
Impairment of non-current assets	(556)	0				556
Revaluation losses on property, plant and equipment						0
Movements in the market value of investment properties						0
Amortisation of intangible assets	(135)	0				135
Capital grants and contributions applied	16,717	0				(16,717)
Movement in the Donated assets account						0
Revenue expenditure funded from capital under statute	(452)	(276)				728
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income & expenditure statement	(18,127)	(299)				18,426
Insertion of items not debited or credited to the comprehensive income & expenditure account						
Statutory provision for the financing of capital investment	5,435	0				(5,435)
Capital expenditure charged to the General Fund and HRA balances	2,320	2,169				(4,489)
Sub-total for **Capital Adjustment Account**	(10,219)	(2,534)				12,753
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the comprehensive income & expenditure statement	(218)	0			218	
Application of grants and contributions transferred to the Capital Adjustment Account					(404)	404
Sub-total for **Capital Grants Unapplied Account**	(218)	0			(186)	404
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income & expenditure statement	1,583	264	(1,847)			
Use of capital receipts reserve to finance new capital expenditure			1,322			(1,322)
Contribution from capital receipts reserve towards the administrative costs of non-current asset disposals	0	0	0			
Contribution from capital receipts reserve to finance payments to the capital receipts pool	(214)		214			
Transfer from deferred capital receipts reserve upon receipt of cash			(22)			22
Sub-total for **Capital Receipts Reserve**	1,369	264	(333)			(1,300)
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income & expenditure statement	(9)	0				9
Adjustments primarily involving the Major Repairs Reserve						
Reversal of major repairs allowance credited to HRA		3,895		(3,895)		
Use of major repairs allowance to finance new capital expenditure				3,895		(3,895)
Sub-total for **Major Repairs Reserve**		3,895		0		(3,895)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the comprehensive income & expenditure statement on an accruals basis is different from finance costs chargeable in the year in accordance with statutory requirements	1,396	(15)				(1,381)
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to the retirement benefits debited or credited to the comprehensive income & expenditure statement	(25,296)	(1,404)				26,700
Employer's pension contributions and direct payments to pensioners payable in the year	16,316	853				(17,169)
Sub-total for **Pension Reserve**	(8,980)	(551)				9,531
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the comprehensive income & expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(141)					141
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account						
Amount by which amounts charged for equal pay claims to the comprehensive income & expenditure statement is different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0				0
Adjustment primarily involving the Accumulated Absences Account						
Amount by which employee remuneration charged to the comprehensive income & expenditure statement is different from remuneration chargeable in the year in accordance with statutory requirements	(482)	(27)				509
Total Adjustments	(17,284)	1,032	(333)	0	(186)	16,771

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2009/10 and 2010/11:

EARMARKED RESERVES	Balance 1 April 2009	Tranfers In	Transfers Out	Transfers between	Balance 31 March 2010	Transfers In	Transfers Out	Transfers between	Balance 31 March 2011
Reserves earmarked for future revenue expenditure:									
Strategic Investment Reserve	(6,250)	(224)	4,271	0	(2,204)	(320)	1,711	0	(811)
Kingston Theatre Retained Profits	0	(276)	0	0	(276)	(90)	0	0	(366)
Temporary Accommodation	(492)	(368)	0	0	(860)	0	578	0	(282)
Community Education & Sports Facilities	(304)	(3)	28	0	(279)	(178)	35	0	(422)
Borough Elections & Members	(231)	(14)	0	0	(245)	(42)	245	0	(42)
Kingston Bridge Reserve Fund	(713)	(3)	15	0	(701)	(3)	14	0	(690)
Waste Management	(300)	(30)	0	0	(330)	(30)	0	0	(361)
On Street Parking and Bus Lane Enforcement Reserve	(1,061)	(1,453)	1,290	0	(1,223)	(2,360)	1,317	0	(2,266)
Coombe Oak Building Fund	(114)	0	0	0	(114)	0	0	0	(114)
Gloucester Road Bridge Repairs Fund	(70)	(4)	0	0	(74)	(3)	0	0	(77)
Revenue Grants	(3,077)	(864)	529	0	(3,412)	(952)	867	0	(3,497)
Other Funds (Revenue)	(471)	(734)	252	0	(954)	(393)	441	363	(544)
Total reserves earmarked for future revenue expenditure	**(13,083)**	**(3,973)**	**6,385**	**0**	**(10,671)**	**(4,372)**	**5,208**	**363**	**(9,471)**
Reserves earmarked for meeting future insurance claims:									
Insurance Reserve	(1,544)	0	591	0	(953)	(1,074)	0	0	(2,027)
Total reserves earmarked for future insurance claims	**(1,544)**	**0**	**591**	**0**	**(953)**	**(1,074)**	**0**	**0**	**(2,027)**
Schools									
Schools (held by Schools under delegated schemes)	(5,740)	0	530	0	(5,210)	(1,017)	0	0	(6,227)
Unallocated DSG	(352)	(840)	352	0	(840)	(2,200)	840	0	(2,200)
Total Schools	**(6,092)**	**(840)**	**882**	**0**	**(6,050)**	**(3,217)**	**840**	**0**	**(8,427)**
Reserves earmarked for future capital expenditure									
Earmarked capital reserves	(7,577)	(49)	2,130	0	(5,496)	(370)	2,234	(363)	(3,994)
Total reserves earmarked for future capital expenditure	**(7,577)**	**(49)**	**2,130**	**0**	**(5,496)**	**(370)**	**2,234**	**(363)**	**(3,994)**
Total Earmarked Reserves	**(28,296)**	**(4,862)**	**9,988**	**0**	**(23,170)**	**(9,032)**	**8,283**	**0**	**(23,918)**

9. OTHER OPERATING EXPENDITURE

2009/10 *£'000*		2010/11 *£'000*
	Other operating expenditure	
123	Environment Agency	123
188	Lee Valley Regional Park Authority	189
299	London Pension Fund Authority	331
33	Wimbledon & Putney Commons Conservators	32
643	*Total Levies*	675
214	Payments to Housing Capital Receipts Pool	678
16,578	Gains/losses on the disposal of non-current assets	3,845
17,435	Total other operating expenditure	5,198

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 *£'000*		2010/11 *£'000*
	Financing and investment income and expenditure	
7,381	Interest payable and similar charges	7,197
15,200	Pensions interest cost and expected return on pensions assets	7,000
(3,497)	Interest receivable and similar income	(1,358)
(98)	Interest from finance leases	(93)
(519)	Income and expenditure in relation to investment properties and changes in their fair value	(1,255)
0	Other investment income	0
4	Trading Undertakings	0
18,471	Total other operating expenditure	11,491

11. TAXATION AND NON-SPECIFIC GRANT INCOME

2009/10 *£'000*		2010/11 *£'000*
	Taxation and non-specific grant income	
(81,052)	Council tax income	(85,121)
(29,791)	Non domestic rates	(32,485)
(13,146)	Non-ringfenced government grants	(14,473)
(17,383)	Capital grants and contributions	(15,070)
(141,372)	Total taxation and non-specific grant income	(147,149)

12. PROPERTY, PLANT & EQUIPMENT

i). Movement on balances

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastucture assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost or Valuation								
At 1st April 2010	339,314	398,865	20,501	127,087	2,396	0	1,870	890,033
Additions	3,713	14,677	1,884	2,166	321	0	0	22,761
Donations /assets written on	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(9,307)	29,077	0	0	0	0	0	19,770
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(92,102)	(28,471)	0	0	0	0	0	(120,573)
Derecognition - disposals	(421)	0	0	0	0	0	0	(421)
Derecognition - other	0	(4,346)	0	0	0	0	0	(4,346)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	1,870	0	0	0	0	(1,870)	0
At 31st March 2011	241,197	411,672	22,385	129,253	2,717	0	0	807,224
Accumulated Depreciation and Impairment								
At 1st April 2010	(3,895)	(41,638)	(10,870)	(58,384)	0	0	0	(114,787)
Depreciation charge	(4,051)	(8,523)	(3,480)	(5,720)	0	0	0	(21,774)
Depreciation charge written out to the Revaluation Reserve	0	(2,056)	0	0	0	0	0	(2,056)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(180)	0	0	0	0	0	0	(180)
Derecognition - disposals	0	0	0	0	0	0	0	0
Derecognition - other	0	22	0	0	0	0	0	22
Other movements in depreciation and	3,895	33,765	0	0	0	0	0	37,660
At 31st March 2011	(4,231)	(18,430)	(14,350)	(64,104)	0	0	0	(101,115)
Balance Sheet amount at 31st March 2011	236,966	393,242	8,035	65,149	2,717	0	0	706,109
Balance Sheet amount at 31st March 2010	335,419	357,227	9,631	68,703	2,396	0	1,870	775,246

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastucture assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2009	359,684	399,999	17,321	123,187	1,544	0	0	901,735
Additions	6,330	11,967	3,277	3,900	852	0	1,870	28,196
Donations /assets written on	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(26,401)	5,946	0	0	0	0	0	(20,455)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of	0	(1,413)	0	0	0	0	0	(1,413)
Derecognition - disposals	(299)	(17,444)	0	0	0	0	0	(17,743)
Derecognition - other	0	(1,586)	0	0	0	0	0	(1,586)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	1,396	(97)	0	0	0	0	1,299
At 31st March 2010	339,314	398,865	20,501	127,087	2,396	0	1,870	890,033
Accumulated Depreciation and Impairment								
At 1st April 2009	(3,676)	(35,636)	(8,036)	(52,520)	0	0	0	(99,868)
Depreciation charge	(3,737)	(6,209)	(2,834)	(5,864)	0	0	0	(18,644)
Depreciation charge written out to the Revaluation Reserve	(158)	(1,094)	0	0	0	0	0	(1,252)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(556)	0	0	0	0	0	(556)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - disposals	0	1,857	0	0	0	0	0	1,857
Derecognition - other	0	0	0	0	0	0	0	0
Other movements in depreciation and	3,676	0	0	0	0	0	0	3,676
At 31st March 2010	(3,895)	(41,638)	(10,870)	(58,384)	0	0	0	(114,787)
Balance Sheet amount at 31st March 2010	335,419	357,227	9,631	68,703	2,396	0	1,870	775,246
Balance Sheet amount at 31st March 2009	356,008	364,363	9,285	70,667	1,544	0	0	801,867

ii). Depreciation

Depreciation is calculated over the following bases:

- dwellings and other buildings – straight line allocation over the life of the property as estimated by the Valuer. It should be noted that where applicable (as detailed in Note 4), componentisation to elements of the total value of the building have been applied in arriving at the depreciation total. These components identify elements of the building to be depreciated over different (shorter) useful lives.

- vehicles and plant are depreciated over a 7-year period and equipment is depreciated over a 5-year period as advised by a suitably qualified officer.

- infrastructure is depreciated over a straight line allocation over 20 years.

Where an asset comprises of land and building elements only the building is depreciated.

iii). Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years.

The Council has approved a Capital Investment Programme of £94.5m from 2011/12 to 2013/14. The comparable figure for 2009/10 was £110.8m from 2010/11 to 2012/13.The major commitments are:

31 Mar 2010			31 Mar 2011	
Value of commitment	Period of investment		Value of commitment	Period of investment
£'000			*£'000*	
		Highways		
3,524	2010/13	Street Lighting Improvement Programme	2,516	2011/14
		Housing (non HRA)		
1,300	2010/11	Swallow Park Caravan Site Redevelopment	2,531	2011/12
		Offices		
1,502	2010/12	Renewal of Guildhall heating and associated pipe-work	650	2011/12
		Schools		
0	NA	Primary Expansion Scheme	28,700	2011/14

iv). Effects of changes in estimates

In 2011/12, the Authority made one change to its accounting estimates for Property, Plant and Equipment.

During the revaluation of HRA related assets, the Valuers decided that 10% of the adjusted value for social housing of Council dwellings should be applicable to land and not buildings. Whilst MRA of £4.05m has been used as a proxy for depreciation for Council dwellings in these accounts, the calculated depreciation charge for 2010/11 would have been £4.4m with 0% of value attached to land (as was the practice in previous years); with 10% of value applied to land the calculated depreciation charge for 2010/11 was £4.19m.

v). Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at Fair Value is re-valued at least every five years. All General Fund valuations were carried out internally whilst HRA valuations were carried out by the District Valuer at the Valuation Office Agency. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the Fair Values are:

• The RICS Red Book appendix provides that *Fair Value* is to be interpreted as the amount that would be paid for an asset in its existing use, and that this requirement is met by providing a valuation on the basis of existing use value in accordance with the UK Practice Statement 1.3 (UKPS 1.3) of the Red Book. It adds that Authorities will use existing value in their financial Statements.

• *Existing Value* is defined in UKPS 1.3 as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a

willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost".

Existing use value is the basis of value adopted for assets noted as General Fund property, plant and equipment except where the *depreciated replacement cost* method of valuation is considered more appropriate.

• *Depreciated Replacement Cost* is a method of valuation, the underlying theory of which is that a potential buyer would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. This is used as a method of valuing properties of a specialised nature which may arise from the nature of construction, arrangement, size of location of the property, or where the property being valued is of a type which is not generally sold on the open market (and for which, therefore, there is no market evidence of value), or a combination of these factors. It is recognised as an acceptable method of valuation where no reliable methods, such as market comparison or an income (or profits) approach cannot be used.

• Investment Property & Assets held for sale – the Red Book Appendix states that investment property shall be accounted for in accordance with IAS 40 at *Fair Value* that is reflected as *market value* as defined at Practice Statement 3.2 as "the estimated amount for which property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

• Social Housing – as regards housing stock held for social housing purposes, Fair Value is defined as *existing use value for social housing* (EUV – SH). The Social Housing element applied is 25% of EUV, in previous years this had been 37%. The percentages used a prescribed by the DCLG in its 'Guidance on Stock Valuation for Resource accounting – 2010/11'

31 Mar 2010 Council dwellings	31 Mar 2010 Other land & builings		31 Mar 2011 Council dwellings	31 Mar 2011 Other land & builings
£'000	*£'000*		*£'000*	*£'000*
Restated	Restated			
	26,649	Valued at historic cost	3,292	30,026
		Valued at fair value in:		0
n/a	n/a	- 2010/11	237,904	316,056
339,313	104,874	- 2009/10	0	14,790
0	97,221	- 2008/09	0	14,771
0	76,658	- 2007/08	0	23,792
0	8,337	- 2006/07	0	12,237
0	85,126	- 2005/06	n/a	n/a
339,313	398,865		241,196	411,672

13. INVESTMENT PROPERTIES

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the Fair Value of investment properties over the year:

2009/10 *£'000*		2010/11 *£'000*
25,395	At 1st April	25,391
	Additions	
0	Purchases	0
0	Construction	0
18	Subsequent expenditure	0
0	Disposals	0
519	Net gains/(losses) from fair value adjustments	1,255
	Transfers	
0	(to)/from Inventories	0
0	(to)/from Property, Plant and Equipment	0
0	(to)/from Assets held for Sale	(136)
(541)	Other changes	35
25,391	At 31st March	26,545

14. INTANGIBLE ASSETS

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.260m charged to revenue in 2010/11 was charged directly to each service heading.

The movement on the Intangible Assets balances during the year is as follows:

2009/10 £'000		2010/11 £'000
	Balance at 1st April	
52	Gross carrying amounts	675
0	Accumulated amortisation	(135)
52	Net carrying amount at start of year	540
	Additions	
0	Internal development	0
623	Purchases	626
0	Acquired through business combinations	0
0	Assets reclassified as held for sale	0
0	Other disposals	0
0	Revaluation increases/(decreases)	0
0	Impairment losses recognised or reversed directly in the Revaluation Reserve	0
0	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0
0	Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	0
(135)	Amortisation for the period	(260)
0	Other changes	0
540	Net carrying amount at end of year	906
	Comprising	
675	Gross carrying amounts	1,301
(135)	Accumulated amortisation	(395)
540	At 31st March	906

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet

	Long Term			Short Term			Total		
	31 March 2009 £000s	31 March 2010 £000s	31 March 2011 £000s	31 March 2009 £000s	31 March 2010 £000s	31 March 2011 £000s	31 March 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Investments									
Loans & receivables at amortised cost	18,619	6,246	4,026	48,493	39,166	38,363	67,112	45,412	42,389
Available for sale financial assets	0	1,183	1,174	0	0	0	0	1,183	1,174
Unquoted equity investment at cost	0	0	0	0	0	0	0	0	0
Total financial assets at fair value through profit and loss	4,279	5,166	0	5,259	4,427	5,294	9,538	9,593	5,294
Total Investments	**22,898**	**12,595**	**5,200**	**53,752**	**43,593**	**43,657**	**76,650**	**56,188**	**48,857**

	Long Term			Short Term			Total		
	31 March 2009 £000s	31 March 2010 £000s	31 March 2011 £000s	31 March 2009 £000s	31 March 2010 £000s	31 March 2011 £000s	31 March 2009 £000s	31 March 2010 £000s	31 March 2011 £000s
Borrowings									
Financial Liabilities at amortised cost	(151,516)	(146,211)	(130,265)	(11,444)	(7,840)	(16,809)	(162,960)	(154,051)	(147,074)
Total Borrowing	**(151,516)**	**(146,211)**	**(130,265)**	**(11,444)**	**(7,840)**	**(16,809)**	**(162,960)**	**(154,051)**	**(147,074)**

Note 1 – Under accounting requirements, the financial instrument value shown in the Balance Sheet include the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by effective interest rate calculation) including accrued interest. However,

accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

Note 2 – Fair value has been measured by:
- direct reference to published price quotations in an active market; and/or
- estimating using a valuation technique.

Note 3 – The Available for Sale Asset relates to Kingston's investment in the Limited Liability Partnership, details are set out in Note 53.

During 2010/11, there were none of the following:

- any unusual movements
- reclassification of instruments
- de-recognition of instruments
- allowance for credit losses and
- default and breaches

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Financial Instruments Gains & Losses 2010/11	**Financial Liabilities**	**Financial Assets**			
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available for sale £000s	Fair value through the I&E £000s	Total £000s
Interest payable and similar charges	7,197	0	0	0	7,197
Interest and investment income	0	(861)	0	(497)	(1,358)
Net gain/(loss) for the year	7,197	(861)	0	(497)	5,839

Financial Instruments Gains & Losses 2009/10	**Financial Liabilities**	**Financial Assets**			
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available for sale £000s	Fair value through the I&E £000s	Total £000s
Interest payable and similar charges	7,381	0	0		7,381
Interest and investment income	0	(3,224)	0	(273)	(3,497)
Net gain/(loss) for the year	7,381	(3,224)	0	(273)	3,884

Financial Instruments Gains & Losses 2008/09	**Financial Liabilities**	**Financial Assets**			
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available for sale £000s	Fair value through the I&E £000s	Total £000s
Interest payable and similar charges	8,345	0	0	0	8,345
Interest and investment income	0	(5,930)	0	(214)	(6,144)
Net gain/(loss) for the year	8,345	(5,930)	0	(214)	2,201

Fair Values of Assets and Liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their Fair Value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- for loans from the Public Works Loans Board (PWLB), premature repayment rates from the PWLB have been applied to provide the Fair Value under PWLB debt redemption procedures.
- for other loans payable, comparable market rates have been applied to provide the Fair Value.
- for loans receivable prevailing benchmark market rates have been used to provide the Fair Value.
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to Fair Value.
- the Fair Value of trade and other receivables is taken to be the invoiced or billed amount.

The Fair Values calculated are as follows:

	31 March 2009		**31 March 2010**		**31 March 2011**	
Financial Liabilities	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Total Borrowing	(162,960)	(187,084)	(154,051)	(173,791)	(147,074)	(174,994)
Trade Creditors	(32,615)	(32,615)	(21,926)	(21,926)	(21,215)	(21,215)
Long Term Creditors	0	0	0	0	0	0
Total Financial Liabilities	**(195,575)**	**(219,699)**	**(175,977)**	**(195,717)**	**(168,289)**	**(196,209)**

	31 March 2009		**31 March 2010**		**31 March 2011**	
Financial Assets	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Total Loans	76,650	78,041	56,188	56,527	48,857	48,915
Trade Debtors	21,459	21,459	16,445	16,445	19,952	19,952
Long Term Debtors	756	756	373	373	355	355
Total Loans and Receivables	**98,865**	**100,256**	**73,006**	**73,345**	**69,164**	**69,222**

The Fair Values for loans from the PWLB have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The Fair Value for non-PWLB debt has been calculated using the same procedures and comparable market rates. This provides a sound approximation for Fair Value for these instruments.

The Fair Values for loans and receivables has been determined by reference to similar practices, as above which provide a reasonable approximation for the Fair Value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

16. INVENTORIES

	Consumable stores		Work in progress		Total	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance outstanding at start of year	94	92	0	0	94	92
Purchases	654	526	0	0	654	526
Recognised as an expense in the year	(656)	(532)	0	0	(656)	(532)
Written off balances	0	(19)	0	0	0	(19)
Reversals of write-offs in previous years	0	0	0	0	0	0
Balance outstanding at year-end	92	67	0	0	92	67

17. CONSTRUCTION CONTRACTS

There were no undischarged obligations arising from long term contracts during 2010/11.

18. DEBTORS

2008/09	2009/10		2010/11
£'000	*£'000*		*£'000*
		Amounts falling due in less than 12 months	
3,752	6,849	Central government bodies	5,454
2,899	2,314	Other local authorities	2,321
2,155	768	NHS bodies	426
3,238	3,896	Public corporations and trading funds	298
15,857	16,708	Other entities and individuals	18,279
27,901	30,535		26,778

Each line is disclosed net of impairment.

Other entities and individuals contain trade debtors, rent and Council Tax arrears.

19. CASH & CASH EQUIVALENTS

The balance of cash and cash equivalents is made up as follows:

31 March 2009 £000s	31 March 2010 £000s		31 March 2011 £000s
1,787	2,777	Cash held by the Authority	2,091
(2,355)	(4,595)	Bank current accounts	(5,985)
2,691	2,045	Short-term deposits w ith financial institutions	7,560
2,123	227		3,666

20. ASSETS HELD FOR SALE

2009/10 *£'000*		2010/11 *£'000*
0	At 1st April	0
0	Disposals	0
0	Net gains/(losses) from fair value adjustments	0
	Transfers	
0	(to)/from Property, Plant and Equipment	0
0	(to)/from Investment Properties	136
0	Other changes	0
0	At 31st March	136

21. CREDITORS

2008/09 *£'000*	2009/10 *£'000*		2010/11 *£'000*
		Amounts falling due in less than 12 months	
(4,163)	(704)	Central government bodies	(2,976)
(2,245)	(2,232)	Other local authorities	(1,755)
(449)	(693)	NHS bodies	(437)
(3,147)	(1,444)	Public corporations and trading funds	(1,540)
(33,776)	(30,717)	Other entities and individuals	(21,015)
(43,780)	(35,790)		(27,723)

22. PROVISIONS

Provisions included in Long Term Liabilities

	Outstanding Legal Cases	Insurance Provision	Other provisions	Total
	£'000	*£'000*	*£'000*	*£'000*
Balance at 1 April 2009	**(220)**	**(2,515)**	**(1,110)**	**(3,845)**
Additional provisions made in year	(51)	(823)	(164)	(1,038)
Amounts used made in year	0	731	895	1,626
Unused amounts reversed in year	220	0	0	220
Unwinding of discounting in year	0	0	0	0
Balance at 31 March 2010	**(51)**	**(2,607)**	**(380)**	**(3,038)**
Balance at 1 April 2010	**(51)**	**(2,607)**	**(380)**	**(3,038)**
Additional provisions made in year	(181)	(1,459)	(189)	(1,830)
Amounts used made in year	0	2,391	30	2,421
Unused amounts reversed in year	0	0	80	80
Unwinding of discounting in year	0	0	0	0
Balance at 31 March 2011	**(232)**	**(1,675)**	**(458)**	**(2,365)**

Outstanding Legal Cases

- London Pensions Fund Authority (£0.145m). This provision is in respect of a requirement to contribute towards a deficit on the fund when regulatory issues have been resolved.

- Local Land Charges (£0.087m). There is a possibility that due to changes in government legislation, the Council, along with many other Local Authorities, may have to refund charges made for personal local land searches since 2005.

Insurance Provision

The Council's insurance provision meets the cost of that part of any liability claim that falls below the insurance deductible and is, therefore, not funded by the Council's insurance policy. As at 31 March 2011, to our knowledge, there are no material unfunded risks. The estimated fund surplus is included under earmarked reserves.

In 2010/11 an actuarial review of the insurance fund was conducted and the current level of provision and reserve was deemed to be adequate.

Other provisions

- Restructuring costs (£0.269m) to meet the costs of internal restructuring and residual liabilities arising from the redistribution of functions previously carried out by South London Connexions.
- Maintenance of equipment (£0.189m) upon expiry of various contracts

Provisions included in Current Liabilities

	Outstanding Legal Cases *£'000*	Insurance Provision *£'000*	Other provisions *£'000*	Total *£'000*
Balance at 1 April 2009	**0**	**0**	**0**	**0**
Additional provisions made in year	0	0	0	0
Amounts used made in year	0	0	0	0
Unused amounts reversed in year	0	0	0	0
Unwinding of discounting in year	0	0	0	0
Balance at 31 March 2010	**0**	**0**	**0**	0
Balance at 1 April 2010	**0**	**0**	**0**	**0**
Additional provisions made in year	(90)	0	(200)	(290)
Amounts used made in year	0	0	0	0
Unused amounts reversed in year	0	0	0	0
Unwinding of discounting in year	0	0	0	0
Balance at 31 March 2011	**(90)**	**0**	**(200)**	**(290)**

Outstanding Legal Cases

There is a provision for £0.090m for dilapidations following the Council's vacation of premises.

Other provisions

- This includes a provision for £0.075m for known redundancy costs where amounts are to be confirmed due to the *One*Council transformation programme.

- This includes a provision for £0.125m for maintenance of equipment with a contractor.

23. USABLE RESERVES

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked Housing Revenue Account Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2010	(3,983)	(23,170)	(1,974)	0	0	(581)	(597)	(30,305)
Movement in reserves during 2010/11								0
(Surplus) or deficit on the provision of services (accounting basis)	(30,916)		93,077					62,161
Other comprehensive income and expenditure								0
Total comprehensive income and expenditure	(30,916)	0	93,077	0	0	0	0	62,161
Adjustments between accounting basis and funding basis under regulations *(Note 7)*	30,097		(93,566)		(1,007)	459	207	(63,810)
Net (increase) or decrease before transfers to earmarked reserves	(819)	0	(489)	0	(1,007)	459	207	(1,649)
Transfers to or (from) earmarked reserves *(Note 8)*	748	(748)						0
(Increase) or decrease in year	(71)	(748)	(489)	0	(1,007)	459	207	(1,649)
Balance at 31st March 2011	(4,054)	(23,918)	(2,463)	0	(1,007)	(122)	(390)	(31,954)

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Earmarked Housing Revenue Account Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Balance at 31st March 2009	(4,282)	(28,296)	(2,512)	0	0	(248)	(411)	(35,749)
Movement in reserves during 2009/10								0
(Surplus) or deficit on the provision of services (accounting basis)	22,709		(494)					22,215
Other comprehensive income and expenditure								0
Total comprehensive income and expenditure	22,709	0	(494)	0	0	0	0	22,215
Adjustments between accounting basis and funding basis under regulations *(Note 7)*	(17,284)		1,032			(333)	(186)	(16,771)
Net (increase) or decrease before transfers to earmarked reserves	5,425	0	538	0	0	(333)	(186)	5,444
Transfers to or (from) earmarked reserves *(Note 8)*	(5,126)	5,126						0
(Increase) or decrease in year	299	5,126	538	0	0	(333)	(186)	5,444
Balance at 31st March 2010	(3,983)	(23,170)	(1,974)	0	0	(581)	(597)	(30,305)

Capital Receipts Reserve

2009/10 £'000		2010/11 £'000
(248)	Balance brought forward	(580)
	Adjustments between accounting basis and funding basis under regulations	
(1,847)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income & expenditure statement	(908)
1,323	Use of capital receipts reserve to finance new capital expenditure	701
0	Contribution from capital receipts reserve towards the administrative costs of non-current asset disposals	0
214	Contribution from capital receipts reserve to finance payments to the capital receipts pool	678
(22)	Transfer from deferred capital receipts reserve upon receipt of cash	(12)
(580)	Balance carried forward	(121)

Earmarked Reserves
(see Note 8 for detail)

2009/10 £'000		2010/11 £'000
(28,296)	Balance brought forward	(23,170)
5,126	Net Movement in year	(748)
(23,170)	Balance carried forward	(23,918)

General Fund Balance

2009/10 £'000		2010/11 £'000
(4,282)	Balance brought forward	(3,983)
299	Net Movement in year	(71)
(3,983)	Balance carried forward	(4,054)

Housing Revenue Account Balance

2009/10 £'000		2010/11 £'000
(2,512)	Balance brought forward	(1,974)
538	Net Movement in year	(489)
(1,974)	Balance carried forward	(2,463)

Major Repairs Reserve – *see note 3 of the HRA Statements*

Capital Grants Unapplied

2009/10 £'000		2010/11 £'000
(411)	Balance brought forward	(597)
(186)	Net Movement in year	207
(597)	Balance carried forward	(390)

24. UNUSABLE RESERVES

	1 Apr 2010 Amounts brought forward £'000	Transactions with CI&ES in year £'000	Transactions with Usable Reserves in year £'000	Transactions with Unusable Reserves in year £'000	31 Mar 2011 Amounts carried forward £'000
Revaluation Reserve	(46,999)	(19,769)	0	2,056	(64,712)
Capital Adjustment Account	(616,544)	85,539		(2,056)	(533,061)
Deferred Capital Receipts Reserve	(331)		10	12	(309)
Available for Sale Financial Instruments Reserve	(1,183)	9			(1,174)
Financial Instruments Adjustment Account	534		61		595
Pension Reserve	271,631	(24,900)	(57,874)		188,857
Collection Fund Adjustment Account	(262)		(1,378)		(1,640)
Unequal Back Pay Adjustment Account	0				0
Accummulated Absences Account	4,052	(256)			3,796
	(389,102)	40,623	(59,181)	12	(407,648)

	1 Apr 2009 Amounts brought forward £'000	Transactions with CI&ES in year £'000	Transactions with Usable Reserves in year £'000	Transactions with Unusable Reserves in year £'000	31 Mar 2010 Amounts carried forward £'000
Revaluation Reserve	(71,739)	22,140	0	2,600	(46,999)
Capital Adjustment Account	(615,569)	(875)	2,500	(2,600)	(616,544)
Deferred Capital Receipts Reserve	(362)		31		(331)
Available for Sale Financial Instruments Reserve	0	(1,183)			(1,183)
Financial Instruments Adjustment Account	1,915		(1,381)		534
Pension Reserve	196,200	65,900	9,531		271,631
Collection Fund Adjustment Account	(403)		141		(262)
Unequal Back Pay Adjustment Account	0				0
Accummulated Absences Account	3,544	509	(1)		4,052
	(486,414)	86,491	10,821	0	(389,102)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 *£'000*		2010/11 *£'000*
(71,739)	Balance brought forward	(46,999)
	Transactions with Comprehensive Income & Expenditure Statement in year	
22,140	(Surplus) or Deficit on revaluation of non-current assets	(19,769)
	Transactions with Capital Adjustment Account	
0	Depreciation of revalued amounts	2,056
2,600	Disposal of non-current assets	
(46,999)	Balance carried forward	(64,712)

Available for Sale Financial Instruments

2009/10 *£'000*		2010/11 *£'000*
0	Balance brought forward	(1,183)
(1,183)	Adjustments between accounting basis and funding basis under regulations	9
(1,183)	Balance carried forward	(1,174)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert Fair Value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 *£'000*		2010/11 *£'000*
(615,569)	Balance brought forward	(616,544)
	Transactions with Comprehensive Income & Expenditure Statement in year	
(875)	Other comprehensive income and expenditure	
	(Surplus) or Deficit on revaluation of non-current assets	(37,696)
	Transactions with Fund Balances	
7,940	Adjustments between accounting basis and funding basis under regulations	123,235
(5,440)	*Other transactions*	
	Transactions with Revaluation Reserve	
0	Depreciation of revalued amounts	(2,056)
(2,600)	Disposal of non-current assets	0
(616,544)	Balance carried forward	(533,061)

Financial Instrument Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2009/10 *£'000*		2010/11 *£'000*
1,915	Balance brought forward	534
(1,381)	Adjustments between accounting basis and funding basis under regulations	61
534	Balance carried forward	595

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to

Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £'000		2010/11 £'000
196,200	Balance brought forward	271,631
	Transactions with Comprehensive Income and Expenditure Account	
9,531	Adjustments between accounting basis and funding basis under regulations	(57,874)
65,900	Other Comprehensive Income and Expenditure	(24,900)
271,631	Balance carried forward	188,857

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £'000		2010/11 £'000
(362)	Balance brought forward	(331)
	Transactions with Capital Receipts Reserve	12
31	Adjustments between accounting basis and funding basis under regulations	10
(331)	Balance carried forward	(309)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £'000		2010/11 £'000
(403)	Balance brought forward	(262)
141	Adjustments between accounting basis and funding basis under regulations	(1,378)
(262)	Balance carried forward	(1,640)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the
Account.

2009/10 *£'000*			2010/11 *£'000*
3,544	Balance at 1 April		4,053
(3,544)	Settlement or cancellation of accrual made at the end of the preceding year	(4,053)	
0	Amounts accrued at the end of the current year	0	
0			(4,053)
4,053	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		3,797
4,053	Balance at 31 March		3,797

25. CASHFLOW STATEMENT – OPERATING ACTIVITIES

2009/10		2010/11
£'000	Operating activities	*£'000*
(111,966)	Taxation	(117,793)
(159,026)	Grants	(218,013)
(10,445)	Housing rents	(10,281)
(46,007)	Sales of goods and rendering of service	(50,033)
(5,209)	Interest received	(1,854)
(13,421)	Other receipts from operating activites	(3,496)
(346,074)	Cash inflows generated from operating activities (sub-total)	(401,470)
128,764	Cash paid to and on behalf of employees	132,288
35,689	Housing benefit paid out	41,469
72	Payments to Capital Receipts Pool	818
126,929	Cash paid to suppliers of goods and services	128,260
7,352	Interest paid	7,255
45,293	Other payments for operating activities	81,742
344,099	Cash outflows generated from operating activities (sub-total)	391,832
(1,975)	Net cash flows from operating activities	(9,638)

26. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2009/10		2010/11
£'000	Investing activities	*£'000*
37,847	Purchase of property, plant and equipment, investment property and intangible	29,591
137,650	Purchase of short-term and long-term investments	126,947
0	Other payments for investing activities	0
(1,869)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(920)
(154,468)	Proceeds from short-term and long-term investments	(136,929)
(26,479)	Other receipts from investing activities	(18,630)
(7,319)	Net cash flows from investing activities	59

27. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2009/10		2010/11
£'000	Financing activities	*£'000*
(4,750)	Cash receipts of short-term and long-term borrowing	(14,000)
0	Other receipts from financing activities	(1,209)
(9)	Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(10)
13,642	Repayments of short-term and long-term borrowing	20,883
2,307	Other payments for financing activities	476
11,190	Net cash flows from financing activities	6,140

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across directorates which are summarised by the revenue outturn report that appears in the Explanatory Foreword. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- some charges are made in relation to capital expenditure e.g. budgeted depreciation but not the adjustment to depreciation as a result of revaluations, amortisation of intangibles assets, impairment losses in excess of the balance on the Revaluation Reserve and REFCUS entries which are all charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- the Housing Revenue Account does not also appear in the General Fund budget reports.
- the adjusting accrual for absences is also excluded from budget reports.

Conversely there are also some items that appear in the budget reports that do not appear as charged to services in the Comprehensive Income and Expenditure Statement, they include:

- the cost of levies
- Interest receivable and similar income and interest payable and similar charges

The income and expenditure of the Authority's principal directorates recorded in the budget report for the year is as follows, *(please note the different column headings for 2010/11 and 2009/10, this is due to the change in organisation structure and responsibilities as detailed in budget reports)*:

2010/11	*Environmental Services*	*Place & Regeneration*	*Learning & Childrens Services*	*Adult Social Care*	*Corporate & One Council Services*	*Neighbour - hoods*	*Levies*	*Use of Balances*	**Total**
Fees, charges & other service income	(6,775)	(21,605)	(13,797)	(18,099)	(4,827)	(392)	0	0	(65,494)
Government Grants	0	(226)	(129,223)	(1,290)	(74,653)	(80)	0	0	(205,472)
Total Income	**(6,775)**	**(21,831)**	**(143,021)**	**(19,388)**	**(79,480)**	**(472)**	**0**	**0**	**(270,967)**
Employee Expenses	3,328	8,227	119,282	21,452	18,784	1,784	0	0	172,857
Other Service Expenses	23,085	22,751	59,103	49,789	73,192	3,145	0	0	231,066
Total Expense	**26,413**	**30,979**	**178,385**	**71,241**	**91,976**	**4,929**	**0**	**0**	**403,923**
Total Directorate Analysis	**19,639**	**9,148**	**35,365**	**51,853**	**12,495**	**4,457**	**0**	**0**	**132,956**
Items in Directorate Analysis not in Comprehensive Income and Expenditure Statement and Explanatory Foreword	**1,760**	**(1,296)**	**1,869**	**5**	**(3,228)**	**(340)**	**674**	**(1,770)**	**(2,325)**
Explanatory Foreword Total	**21,398**	**7,852**	**37,233**	**51,858**	**9,267**	**4,117**	**674**	**(1,770)**	**130,631**

2009/10	*Environmental Services*	*Learning & Childrens Services*	*Community Services*	*Central Services*	*Neighbour - hoods*	*Levies*	*Use of Balances*	**Total**
Fees, charges & other service income	(12,826)	(11,778)	(28,650)	(5,107)	(293)	0	0	(58,654)
Government Grants	(74)	(120,385)	(4,876)	(70,794)	0	0	0	(196,128)
Total Income	**(12,900)**	**(132,163)**	**(33,526)**	**(75,901)**	**(293)**	**0**	**0**	**(254,782)**
Employee Expenses	9,206	115,172	27,083	15,537	498	0	0	167,496
Other Service Expenses	29,992	57,823	58,537	71,874	2,217	0	0	220,443
Total Expense	**39,198**	**172,995**	**85,620**	**87,412**	**2,715**	**0**	**0**	**387,939**
Total Directorate Analysis	**26,298**	**40,832**	**52,094**	**11,511**	**2,422**	**0**	**0**	**133,157**
Items in Directorate Analysis not in Comprehensive Income and Expenditure Statement and Explanatory Foreword	**(422)**	**(3,743)**	**186**	**(3,984)**	**2,587**	**642**	**(3,995)**	**(8,728)**
Explanatory Foreword Total	**25,876**	**37,089**	**52,280**	**7,527**	**5,009**	**642**	**(3,995)**	**124,429**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2010/11	**£000s**
Net Expenditure in Explanatory Foreword Analysis	130,631
Amounts in Comprehensive Income and Expenditure Statement not reported to management in Explanatory Foreword	59,665
Amounts included in Explanatory Foreword not included in the Comprehensive Income and Expenditure Statement	2,325
Cost of Services in Comprehensive Income and Expenditure Statement	**192,621**

2009/10	**£000s**
Net Expenditure in Explanatory Foreword Analysis	124,429
Amounts in Comprehensive Income and Expenditure Statement not reported to management in Explanatory Foreword	(5,476)
Amounts included in Explanatory Foreword not included in the Comprehensive Income and Expenditure Statement	8,728
Cost of Services in Comprehensive Income and Expenditure Statement	**127,680**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis	Items in Explanatory Foreword not in CIES Cost of Services	Total Explanatory Foreword	Items in Explanatory Foreword not in CIES Cost of Services	Items in CIES cost of services not in Explanatory Foreword	HRA (not included in Explanatory Foreword)	Total Cost of Services	Corporate Amounts	Total Surplus Deficit on the Provision of Services
Fees, charges & other service income	(65,494)	0	(65,494)	0	(4)	(27,165)	(92,663)	0	(92,663)
Interest and investment Income	0	(1,237)	(1,237)	1,237	0	0	0	(1,451)	(1,451)
Income from Council Tax	0	0	0	0	0	0	0	(85,121)	(85,121)
Government Grants and Contributions	(205,472)	0	(205,472)	0	(4,386)	0	(209,858)	(62,029)	(271,887)
Total Income	(270,967)	(1,237)	(272,203)	1,237	(4,390)	(27,165)	(302,522)	(148,601)	(451,123)
Employee Expenses	172,857	0	172,857	0	(65,130)	0	107,727	0	107,727
Other Service Expenses	215,858	0	215,858	0	125,245	0	341,103	0	341,103
Depreciation	15,207	0	15,207	0	4,582	0	19,789	0	19,789
Amortisation and impairment	0	0	0	0	260	0	260	0	260
Interest Payments	0	6,504	6,504	(6,504)	0	0	0	7,198	7,198
Precepts and Levies	0	674	674	(674)	0	0	0	675	675
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	678	678
Pensions interest cost and expected return on pensions assets	0	0	0	0	0	0	0	7,000	7,000
Gains or losses on disposal of Fixed Assets	0	0	0	0	0	0	0	3,845	3,845
Other	0	(8,267)	(8,267)	8,267	0	26,263	26,263	(1,255)	25,008
Total Expenditure	403,923	(1,089)	402,834	1,089	64,957	26,263	495,143	18,141	513,283
Surplus or deficit on the provision of services	132,956		130,631				192,621		62,161

2009/10	Directorate Analysis	Items in Explanatory Foreword not in CIES Cost of Services	Total Explanatory Foreword	Items in Explanatory Foreword not in CIES Cost of Services	Items in CIES cost of services not in Explanatory Foreword	IFRS Adj in Cost of Services	HRA (not included in Explanatory Foreword	Total Cost of Services	Corporate Amounts	Total
Fees, charges & other service income	(58,654)	0	(58,654)	0	(279)	0	(27,298)	(86,231)	0	(86,231)
Interest and investment Income	0	(3,402)	(3,402)	3,402	0	0	0	0	(3,496)	(3,496)
Income from Council Tax	0	0	0	0	0	0	0	0	(81,052)	(81,052)
Government Grants and Contributions	(196,128)	0	(196,128)	0	(9,091)	6,395	(88)	(198,912)	(60,321)	(259,233)
Total Income	(254,782)	(3,402)	(258,184)	3,402	(9,370)	6,395	(27,386)	(285,143)	(144,869)	(430,012)
Employee Expenses	167,496	0	167,496	0	(5,396)	510	0	162,610	0	162,610
Other Service Expenses	204,704	0	204,704	0	2,315	1,520	20,934	229,473	0	229,473
Depreciation	15,739	0	15,739	0	0	0	4,128	19,867	0	19,867
Amortisation and impairment	0	0	0	0	556	0	0	556	0	556
Interest Payments	0	6,704	6,704	(6,704)	0	0	0	0	7,381	7,381
Precepts and Levies	0	642	642	(642)	0	0	0	0	642	642
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0	214	214
Pensions interest cost and expected return on pensions assets	0	0	0	0	0	0	0	0	15,200	15,200
Gains or losses on disposal of Fixed Assets	0	0	0	0	0	0	0	0	16,579	16,579
Other	0	(12,672)	(12,672)	12,672	0	0	317	317	(613)	(296)
Total Expenditure	387,939	(5,326)	382,613	5,326	(2,525)	2,030	25,379	412,823	39,403	452,227
Surplus or deficit on the provision of services	133,157		124,429					127,680		22,215

29. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2010/11. There are no outstanding liabilities for any previously discontinued services.

30. TRADING OPERATIONS

The trading operations disclosed in 2009/10 were passed over to Kingston Town Centre Management Ltd in 2010/11 and therefore do not appear in the Council's single entity accounts.

2009/10 £'000		2010/11 £'000
(315)	Turnover	0
319	Expenditure	0
4	(Surplus)/Deficit for the year	0

31. AGENCY SERVICES

There were no agency arrangements during 2010/11.

32. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

There was no expenditure during 2010/11 utilising powers contained in the Transport Act 2000.

33. POOLED BUDGET

Under Section 75 of the National Health Service Act 2006, NHS bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets.

From 1 October 2010 the Moor Lane Children's and Young People's Service has been provided under a partnership agreement with National Health Service Kingston.

The Council acts as the accountable body. The memorandum accounts are summarised below:

	2010/11 £'000
Original contributions	
Royal Borough of Kingston upon Thames	(1,146)
NHS Kingston	(510)
Total original contributions	(1,656)
Total expenditure	1,703
Net overspending/(underspending)	47
(Additional)/reduced contributions required	
Royal Borough of Kingston upon Thames	2
NHS Kingston	(49)
	(47)
Revised contributions	
Royal Borough of Kingston upon Thames	(1,144)
NHS Kingston	(559)
Total revised contributions	(1,703)

The agreement commenced during the 2010/11 financial year, hence no comparative figures for previous years

34. MEMBERS' ALLOWANCES

The total amount of Members' Allowances paid during 2010/11 was £611,049 (£626,339 in 2009/10). Full details can also be found on the Council's website.

35. OFFICERS REMUNERATION

The remuneration paid to the Authority's senior employees is as follows:

		Notes	Salary, fees and allowances £'000	Bonuses £'000	Expenses allowances £'000	Compensation for loss of office £'000	Pension contribution £'000	Total £'000
Chief Executive	2010/11	1	179				45	224
	2009/10		179				43	222
Director of Health & Adult Services	2010/11	2						0
	2009/10							0
Director of Finance	2010/11	3	110				27	137
	2009/10							
Head of Financial Services	*2010/11*	*3*	*21*				*5*	*26*
	2009/10		*65*				*16*	*81*
Director of Environment	2010/11		123				30	153
	2009/10		121				29	150
Director of Learning & Children's Services	2010/11	4						0
	2009/10							
Interim Director of Learning & Children's Services	*2010/11*	*4*	*124*				*31*	*155*
	2009/10		*70*				*17*	*87*
Director of Place & Regeneration	2010/11		123				30	153
	2009/10		121				29	150
Head of Democratic Services & Partnerships	2010/11		87				22	109
	2009/10		87				21	108
Head of Legal Services	2010/11	5	87				22	109
	2009/10		87				21	108
Head of Organisational Development & Strategic Business	2010/11		96				24	120
	2009/10		96				23	119

1. The Chief Executive is Bruce McDonald

2. The Director of Health & Adult Services was vacant from May 2009 and was covered by an interim appointment until 31 December 2010. From 1 January 2011 this post has been occupied by the Chief Executive of NHS Kingston on a part time basis. 50% of his pay plus employer's contribution for pension and National Insurance are charged to the Royal Borough of Kingston upon Thames. In 2010-11 this amounted to £21,310.

3. The Director of Finance commenced his duties on 17 May 2010. His annualised salary for 2010/11 is £125,382. Prior to this appointment the duties of the role of Director of Finance, other than the role of statutory Chief Financial Officer (CFO), were covered, on a part time basis, by an interim appointment who was not an employee of the Council.

   From August 2009 until May 2010, the Head of Financial Services (now called the Head of Corporate Finance) was designated CFO. His annualised salary for this period was £97,278.

4. The former Director of Learning & Children's Services left the Council's employment in August 2009. From September 2009, the Head of Children's Services & Safeguarding was designated as the interim Director of Learning & Children's Services. The interim Director was appointed to the role permanently from 1 March 2011. The disclosure above only relates to the part of his remuneration that was paid for the period he was covering that role. His annualised salary for 2009/10 was £118,896.

5. The Head of Legal Services is the Council's Monitoring Officer

6. Officers in *italics* are former employees or held statutory posts during vacancies

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are as follows:

2009/10					2010/11		
Number of teachers	Number of other employees	Total number of employees	Remuneration band		Number of teachers	Number of other employees	Total number of employees
52	38	90	£50,001 -	£55,000	68	33	101
37	19	56	£55,001 -	£60,000	28	16	44
21	7	28	£60,001 -	£65,000	26	6	32
14	1	15	£65,001 -	£70,000	22	4	26
9	7	16	£70,001 -	£75,000	11	8	19
5	6	11	£75,001 -	£80,000	4	4	8
3	0	3	£80,001 -	£85,000	3	1	4
3	4	7	£85,001 -	£90,000	3	5	8
1	1	2	£90,001 -	£95,000	3	1	4
1	3	4	£95,001 -	£100,000	2	2	4
0	1	1	£100,001 -	£105,000	0	1	1
1	0	1	£105,001 -	£110,000	1	2	3
1	2	3	£110,001 -	£115,000	0	0	0
0	1	1	£115,001 -	£120,000	0	2	2
0	1	1	£120,001 -	£125,000	0	1	1
1	1	2	£125,001 -	£130,000	1	0	1
0	0	0	£135,001 -	£140,000	0	0	0
0	1	1	£175,001 -	£180,000	0	1	1
149	93	242			172	87	259

36. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2009/10 *£'000*		2010/11 *£'000*
284	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	230
20	Fees payable to the Audit Commission in respect of statutory inspection	20
77	Fees payable to the Audit Commission for the certification of grant claims and	71
0	Fees payable in respect of other services provided by the Commission	21
381	Total Audit Commission Fees	342

37. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	2010/11 Total
	£'000	£'000	£'000
Final Dedicated Schools Grant for 2009/10			92,351
Plus brought forward from 2009/10			840
Less carry forward to 2011/12 agreed in advance			(938)
Agreed budgeted distribution in 2009/10	8,036	84,218	92,254
Less actual central expenditure	6,978		
Less actual ISB deployed to schools		84,243	
Plus DSG exceptional circumstances grants	229		
Plus Local authority contribution for 2009/10	0	0	0
Carry forward to 2010/11	1,287	(25)	2,200

38. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2009/10 and 2010/11:

Credited to Taxation and Non-Specific Grant Income

	2009/10 £000s	2010/11 £000s
Revenue Support Grant	(6,876)	(4,717)
Area Based Grant	(6,046)	(9,756)
Local Authority Business Growth Incentive	(224)	0
Social Housing Energy Saving	0	(264)
Partnership for Schools 2010/11	0	(9,286)
Standards Fund Capital Grants	(12,369)	(1,904)
Surestart	(526)	(1,307)
Youth Capital Fund	(90)	(10)
Learning & Skills Council	(567)	(153)
Safer Community Fund	(45)	(16)
DCLG Travellers Site Capital Grant	(334)	(433)
DOH IT Systems Capital Grants	(37)	(39)
Social Care Capital Grants	(179)	(96)
DOH Mental Health Capital Grants	0	(83)
Other Education grants	(107)	(16)
Capital Ambition	0	(100)
Transport for London	(1,962)	(1,147)
Playbuilder Wave 2	(525)	(215)
Housing Renovation Grant	(208)	0
Big Lottery LC001/02	(3)	0
Marathon Trust	(63)	0
PCT Capital Grants	(300)	0
DCLG IT Grant Council Tax	(5)	0
DOH Performance Grant	(12)	0
DOH Carers Grants	(6)	0
DOH Access and Systems Capacity	(29)	0
LPSA Prime Pumping	(17)	0
Total	**(30,530)**	**(29,542)**

Grants Credited to Services	2010/11 £000s
UASC - Under 18s Funding	(520)
UASC - Over 18s Funding	(270)
Think Family Funding	(7)
ISC post 16 Learner Support	(4)
Child Workforce Development	(11)
Misc DCSF Grants	(926)
NCSL - Succession Planning	(20)
NCSL-Targeted Succession planning	(35)
14-19 Diploma Funding	(409)
Free Sw imming Programme	(44)
School Sports Co-ordinator	(326)
Youth Opportunity Fund	(150)
LDA London Offer	(1)
Training and Development Agency	(292)
DCSF Collaboration	(30)
Modernisation and Development Grant	(73)
Standards Fund	(9,812)
Adult Edcuation	(82)
Schools Standards Grant	(4,361)
Dedicated Schools Grant	(92,580)
YPLA	(14,443)
Skills Funding Agency	(728)
Surestart Grant	(4,205)
Various DfE funding	(1,157)
Milk Funding	(51)
Future Job Fund	(1)
Transforming Adult Social Care	(460)
Migration Impact Fund	(41)
IDVA	(10)
Sexual Violence Research	(12)
AIDS Support Grant	(92)
Stroke Care	(76)
People into Work	(150)
Supporting People	(143)
SPAD (DIP)	(118)
Housing Options Grant	(110)
Dementia Pilot Grant	(45)
Future Job Fund	(21)
Aiming High for Disabled Children	(11)
Homeless Grant	(300)
Discretionary Housing Payments	(15)
DWP - Future Jobs Fund	(3)
Lead Authority	(43)
DCLG Council Tax Billing Grant	(22)
Discretionary Housing Payments	(54)
DWP (Other)	(17)
Housing Benefit	(73,889)
CWDC Grants 2010 - 11	(18)
umbrella funding to KVA	(17)
CWDC invoice raised	(2)
LAA PPG	(358)
Community Development for Voluntary Organisation	(46)
Safer Kingston Partnership	(10)
Local Land Charges	(34)
Transport for London	(1,497)
Planning Performance Indicator grant	(5)
Local Fee Setting Pilot Project grant	(3)
Habitats Planning Regulations & Climate Change Grant	(51)
Partnership for Schools	(2,737)
Safer Community Fund	(7)
Housing Renovation	(596)
Total	**(211,551)**

Contributions Credited to Services	2010/11 £000s
Youth Justice Board Funding	(342)
Other Local Authorities	(11)
Probation	(12)
PCT	(1,075)
London Councils	(5)
Police	(15)
Others (incl parental/users)	(4,075)
Big Lottery Funding	(27)
NHS Contributions	(9,397)
Other Contributions	(459)
Met Police	(14)
City of London	(8)
Police Forum	(48)
Total	**(15,488)**

Grants and Contributions credited to Services	2009/10 £000s
Dedicated Schools Grant	(86,585)
Housing Benefit	(71,918)
Standards Fund	(6,846)
Transport for London	(4,984)
School Standards Grant	(4,129)
Sure Start	(3,264)
Supporting People	(3,588)
LPSA Prime Pumping	(725)
Unaccompanied Asylum Seekers	(944)
Transforming Social Care	(456)
Other Education	(363)
Schools Sports Co-Ordinator	(350)
Training & Development Agency	(323)
Think Family Funding	(313)
14-18 Diploma Funding	(210)
Homelessness Grant	(203)
Environment Grant	(152)
Contact Point Grants	(145)
European Social Fund	(133)
Skills Development Agency	(124)
Kingston PCT	(129)
Housing Options	(110)
Childrens Fund	(105)
Free Sw imming	(131)
Youth Opportunity	(90)
AIDS/HIV	(85)
Stroke Grant	(80)
London Developmment Agency	(136)
Nursery Milk	(68)
Schools Leadership	(67)
Handyman Grant	(50)
Police Forum	(49)
Kingston Protect Grant	(43)
Future Jobs Fund	(40)
Dementia Gran	(30)
Domestic Violence	(20)
School Travel Planner	(17)
DCLG Council Tax Billing Grants	(6)
Other	(18)
	(187,029)

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	2009/10 £000s	2010/11 £000s
Standards Fund Capital	(1,649)	0
Other Education Capital	0	(44)
Youth Fund Capital	(9)	(34)
DCLG Travellers Site Capital	(2,189)	(1,347)
Schools Capital	(531)	(147)
DCLG IT Grants (Ctax)	(16)	(16)
ITP Capital	(52)	0
PCT Capital	0	(3)
Social Housing Energy Saving	0	(146)
Partnership for Schools	0	(1,808)
Other	0	(301)
	(4,446)	**(3,846)**

39. RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts are shown in Note 38.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in Note 34.

Excluding the grants to the Citizens Advice Bureau which is mentioned below under *Officers,* the Council awarded grants to voluntary organisations totalling £0.884m. In total there were 6 Members who had an interest directly or who had close relatives with an interest in these organisations.

Payments of £0.424m were made to Kingston Hospital Trust during the year in which 3 Members had an interest.

In addition 2 Members were employed by Surrey County Council during 2010/11.

Details of all Member's interests are recorded in the Register of Members' Interests, open to public inspection on the Council's website www.kingston.gov.uk .

The Council makes a number of appointments each year to various local and regional bodies to represent the interests of the community. All of these appointments are approved by Council and details can be found within Committee minutes on the Council's website www.kingston.gov.uk .

There were no other material related transactions between related parties and Members of the Council.

Officers

During 2010/11, a grant (£0.243m) was awarded by the Council's Executive to the Kingston Citizens Advice Bureau. A relative of the Council's Chief Executive is Chief Executive of the Citizens Advice Bureau. The Council's Chief Executive did not take part in any discussion, decision or administration relating to the grant.

The Head of Corporate Accountancy is also a Director of Kingston Theatre LLP. The Council's interest in Kingston Theatre LLP is disclosed in Note 53.

There were no other material transactions between related parties and senior officers within the Council.

Other Public Bodies

The Authority has a pooled budget arrangement with NHS Kingston for the provision of Moor Lane Children's and Young People's services. Transactions and balances outstanding are disclosed in Note 33.

The post of Director of Health and Adult Services has been occupied by the Chief Executive of NHS Kingston on a part time basis since 1 January 2011. Further details are disclosed in Note 35.

The Authority is a partner in the South London Waste Partnership, a Joint Committee established in September 2007 to secure waste treatment and disposal services for the London Boroughs of Croydon, Merton and Sutton as well as the Royal Borough of Kingston. Further details are disclosed in Note 51 and Note 53.

Pension Fund – during the year the Pension Fund had a balance of surplus cash deposited with the Council. The Council paid the fund a total for interest of £6,623 (£5,491 in 2009/10) on these deposits. The Council charged the fund £606,000 (£597,000 in 2009/10) for expenses incurred in administering the fund.

Entities Controlled or significantly influenced by the Authority

The Council holds the majority share in the Kingston Theatre Limited Liability Partnership. Details are disclosed in Note 53.

The Council does not provide material financial assistance to any organisations on terms that gave the Council effective control over their operations.

40. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £'000		2010/11 £'000
140,036	**Opening Capital Financing Requirement**	**137,660**
	Summary of capital expenditure during reporting period	
28,604	Property, plant & equipment	22,889
18	Investment property	0
623	Intangible assets	499
7,189	Revenue expenditure funded from capital under statute	4,580
	Sources of finance	
(1,323)	Capital receipts	(701)
(23,855)	Government grants and other contributions	(19,398)
	Sums set aside from revenue	0
(8,197)	Direct revenue contributions	(3,976)
(5,411)	Minimum Revenue Provision (MRP)	(5,601)
(24)	Voluntary Revenue Provision (VRP)	0
137,660	**Closing Capital Financing Requirement**	**135,951**
	Explanation of movements in year	
(2,376)	Increase in underlying need to borrow (supported by government financial assistance)	(1,709)
	Assets aquired under finance leases	
(2,376)	Increase /(decrease) in Capital Financing Requirement	(1,709)

41. LEASES

Authority as Lessee

Finance Leases

The Council has not entered into any arrangement whereby it should recognise assets on the basis of a finance lease.

Operating Leases

The Council has entered into a number of lease agreements for property, equipment and vehicles which have been accounted for as operating leases. The following

tables detail the financial commitments the Council has made under these lease agreements and the amount recognised as expenditure in 2010/11.

The future minimum lease payments due under non-cancellable leases in future years are:

Minimum Lease Payments

31 Mar 2010 *£'000*		31 Mar 2011 *£'000*
1,275	Not later than one year	1,022
2,569	Later than one year and not later than five years	1,709
1,930	Later than five years	1,766
5,774		4,497

The expenditure charged to the Cost of Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

Lease Expenditure charged

2009/10 *£'000*		2010/11 *£'000*
1,394	Minimum lease payments	1,311
0	Contingent rents	0
0	Sublease payments receivable	0
1,394		1,311

Authority as Lessor

Finance Leases

The Council has granted a number of property leases which have been accounted for as a finance lease. The following tables detail the gross investment and the minimum lease payments receivable under these finance leases

Gross Investment

31 Mar 2010 *£'000*		31 Mar 2011 *£'000*
	Finance lease debtor (net present value of minimum lease payments)	
10	- current	11
136	- non-current	125
710	Unearned finance income	687
128	Unguarantedd residual value of property	128
984	Gross investment in the lease	951

Minimum Lease Payments

31 Mar 2010 *£'000*		31 Mar 2011 *£'000*
32	Not later than one year	32
134	Later than one year and not later than five years	142
747	Later than five years	771
913		945

The amount of contingent rent recognised as income in 2010/11 totalled £106,400 (£106,400 in 2009/10)

Operating Leases

The Council leases a number of properties and items of equipment on an operating lease basis.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Minimum Lease Payments

31 Mar 2010 *£'000*		31 Mar 2011 *£'000*
1,014	Not later than one year	945
4,345	Later than one year and not later than five years	4,168
11,078	Later than five years	10,309
16,437		15,422

42. PFI AND SIMILAR CONTRACTS

The Council does not hold any PFI contracts or contracts of a similar nature.

43. IMPAIRMENT LOSSES

During 2010/11 the Authority has recognised an impairment loss of £0.180m in relation to a fire at Madingley flats which is part of the Housing stock. This was posted to the Housing Revenue Account line of the cost of services in the Comprehensive Income and Expenditure Statement.

44. CAPITALISATION OF BORROWING COSTS

The Council did not capitalise any borrowing costs during 2010/11.

45. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2009/10 and 2010/11, incurring liabilities of £1.136m in 2010/11 and £0.254m in 2009/10 (this included £56,000 paid to the as statutory redundancy payments in accordance with

the Council's employment policies to the Head of Strategic Services as stated in Note 35 to these accounts). Redundancy costs were incurred as a result of the Council's *One*Council programme designed to transform a number of the Council's services.

46. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Council paid £7.3m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £6.9m and 14.1%. There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

47. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by the Royal Borough of Kingston – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/ retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangments	
	2010/11	2009/10	2010/11	2009/10
	£'000	*£'000*	*£'000*	*£'000*
Comprehensive Income & Expenditure Statement				
Cost of Services				
Current Service Costs	13,100	10,700	0	0
Past Service Costs	(57,700)	800	(2,100)	0
Settlement and curtailments	0	0		
Financing and Investment Income & Expenditure				
Interest cost	26,900	25,500	1,200	1,300
Expected return on scheme assets	(21,100)	(11,600)	0	0
Total post employment benefit charges to Surpls/Deficit on the Provision of Services	(38,800)	25,400	(900)	1,300
Other post employment benefit charged to the Comprehensive Income & Expenditure Statement				
Actuarial gains and losses	24,600	65,900	300	0
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	(14,200)	91,300	(600)	1,300
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in accordance with the Code	39,100	(25,400)	600	(1,300)
Actual amount charged against the General Fund Balance for pensions for the year				
Employers' contributions payable to the Scheme	16,674	15,669		
Retirement benefits payable to Pensioners			1,500	1,500

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a gain of £24.9m (£65.9m loss in 2009/10).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities		Unfunded liabilities	
	Local Government Pension Scheme		Discretionary Benefits Arrangments	
	2010/11	2009/10	2010/11	2009/10
	£'000	*£'000*	*£'000*	*£'000*
Opening balance at 1st April	(532,400)	(379,800)	(23,400)	(20,800)
Current service costs	(13,100)	(10,700)	0	0
Interest cost	(26,900)	(25,500)	(1,200)	(1,300)
Contributions by scheme participants	(4,300)	(4,900)	0	0
Actuarial gains and losses	29,800	(125,700)	300	(2,800)
Benefits paid	16,300	15,000	1,500	1,500
Past service costs	57,700	(800)	2,100	0
Entity combinations	0	0	0	0
Curtailments	0	0	0	0
Settlements	0	0	0	0
Closing balance at 31st March	(472,900)	(532,400)	(20,700)	(23,400)

Reconciliation of Fair Value of scheme assets:

	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	*£'000*
Opening balance at 1st April	284,169	204,400
Expected rate of return	21,100	11,600
Actuarial gains and losses	(5,200)	62,600
Employer contributions	15,540	15,669
Contributions by scheme participants	4,300	4,900
Benefits paid	(15,165)	(15,000)
Entity combinations	0	0
Settlements	0	0
Closing balance at 31st March	304,744	284,169

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £31.5m (2009/10: £96.1m).

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Present value of liabilities					
Local Government Pension Scheme	(379,400)	(361,000)	(379,800)	(532,400)	(472,900)
Discretionary Benefits	(21,300)	(20,400)	(20,800)	(23,400)	(20,700)
Fair value of assets in the Local Government Pension Scheme	239,500	241,200	204,400	284,169	304,744
Surplus/(Deficit) in the Scheme					
Local Government Pension Scheme	139,900	119,800	175,400	248,231	168,156
Discretionary Benefits	21,300	20,400	20,800	23,400	20,700
Total	0	0	0	0	0

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £493.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £188.856m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £15.7m. Expected contributions for the Discretionary Benefits Scheme in the year to 31 March 2012 are £1.5m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the Scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangments	
	2010/11	2009/10	2010/11	2009/10
	%	%	%	%
Long-term expected rate of return on assets in the scheme:				
Equity investments	8.4	8.0	-	-
Government Bonds	4.4	4.5	-	-
Corporate Bonds	5.1	5.5	-	-
Property	7.9	8.5	-	-
Cash	1.5	0.7	-	-
Other	8.4	8.0	-	-
	years	*years*	*years*	*years*
Mortality assumptions:				
Longevity at 65 for current pensioners				
- men	24.2	23.2	24.2	23.2
- women	25.2	25.2	25.2	25.2
Longevity at 65 for future pensioners				
- men	26.0	25.6	26.0	25.6
- women	27.2	27.4	27.2	27.4
	%	%	%	%
Rate of inflation	2.8	3.9	2.7	3.8
Rate of increase in salaries	5.2	5.4	-	-
Rate of increase in pensions	2.8	3.9	2.7	3.8
Rate of increase in deferred pensions	2.8	3.9	-	-
Rate for discounting scheme liabilities	5.5	5.5	5.5	5.5
Take-up of option to converrt annual pension into retirement lump sum	70.0	75.0	-	-

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Assets	**31 March 2010**	**31 March 2011**
Equities	79.6%	80.0%
Property	4.1%	4.5%
Government Bonds	0.6%	1.0%
Corporate Bonds	13.3%	11.9%
Cash	2.4%	2.6%
Other	0.0%	0.0%
Total	**100.0%**	**100.0%**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	1	9	28	22	(2)
Experience gains and losses on liabilities - funded liabilities	0	3	0	1	3
Experience gains and losses on liabilities - unfunded liabilities			(1)	3	1

48. CONTINGENT LIABILITIES

In the event of a school with a deficit exceeding £100,000 becoming an academy, the closing school would not be liable to make good the deficit. At 31 March 2011 there were two schools meeting this criterion with deficits totalling £586,000.

49. CONTINGENT ASSETS

There were no known contingent assets at 31 March 2011.

50. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk and maturity risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the formal adoption of a Treasury Policy Statement;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - the Council's overall borrowing;
    - its maximum and minimum exposures to fixed and variable rates;
    - its maximum and minimum exposures to the maturity structure of its debt; and

  - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These were reported and approved at or before the Council's annual Council Tax setting budget meeting as required. The Council's Treasury Management Annual Strategy Report explains both the risks, and the management of risks, associated with treasury management and is available on the Council website.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Risk is minimised through the Council's Annual Investment Strategy (which can be found on the Council's website) in accordance with Guidance on Local Government Investments issued by CLG under the Local Government Act 2003. The Guidance requires authorities to invest prudently, and that priority is given to security and liquidity before yield. The guidance also requires certain investment policy parameters to be set within the Annual Investment Strategy and for the Council to have regard to the CIPFA Code of Practice on Treasury Management. These parameters are contained in the Treasury Management Annual Strategy Report.

Deposits are not made with banks and financial institutions unless they meet the criteria set within the Annual Investment Strategy. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution.

The credit criteria in respect of financial assets held by the Authority are as detailed below:

Financial Asset Category	Criteria		Maximum Investment
Deposit with banks	Short Term	F1	£20 million
	Long Term	A-	
	Individual/Financial Strength	C	
	Support	3	
Deposit with building societies	Short Term	F1	£20 million
	Long Term	A-	
	Individual/Financial Strength	C	
	Support	3	
Deposits with money market funds		AAA	£20 million

For the rating criteria, the Council uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. Additional selection criteria for 2010-11 include the UK financial institutions provided

with support from the UK Government and top 25 Building Societies (determined by asset size).

The following analysis summarises the Authority's maximum exposure to credit risk, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 March 2011 £000s	Historical experience of default %	Adjustment for market conditions %	Estimated maximum exposure to default £000s
Deposits with banks and financial institutions				
AAA rated counterparties	3,000	0.00%	0.00%	0
AA rated counterparties	46,560	0.03%	0.03%	14
A rated counterparties	1,000	0.08%	0.08%	1
BBB rated counterparties	0	0.24%	0.24%	0

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2011 was £0.664m.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions is unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31 March 2009	31 March 2010		31 March 2011
£'000	*£'000*		*£'000*
9,654	6,040	Less than one year	15,085
5,289	9,085	Between one and two years	11,560
15,678	6,608	Between two and five years	57
129,419	129,403	More than five years	117,550
160,040	151,136		144,252

All trade and other payables are due to be paid in less than one year.

Market Risk – Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Account will rise
- borrowings at fixed rates – the Fair Value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Account will rise
- investments at fixed rates – the Fair Value of the assets will fall.

Borrowings are not carried at Fair Value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the Fair Value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. The risk of interest rate loss is partially mitigated by government grant payable on financing costs.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2011 £000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(30)
Increase in negative subsidy payable to the Government	3
Impact on Surplus or Deficit on the Provision of Services	(27)
Share of overall impact debited to the HRA	(3)
Decrease in fair value of fixed rate investment assets	67
Impact on Other Comprehensive Income and Expenditure	67
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	23,850

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

51. SOUTH LONDON WASTE PARTNERSHIP

The South London Waste Partnership is a Joint Committee, established in September 2007, to secure waste treatment and disposal services for the London Boroughs of Croydon, Merton, Sutton and the Royal Borough of Kingston. The Royal Borough of Kingston is the lead Borough for procurement and has awarded the contracts on behalf of the Partnership.

There are two types of cost to the Partnership:

- Procurement costs – these are costs associated with procuring the contracts and will be shared equally between the authorities
- Service Costs – these are the costs associated with each contract and the payment of which will be in accordance with the individual contract

The costs shown in the Comprehensive Income and Expenditure Account are for the Royal Borough of Kingston only.

The gross expenditure for the other Boroughs is shown below for completeness; however this nets to zero as the cost is recharged to the partner Boroughs. The Partnership accounts are subject to a separate audit.

2009/10 Net Expenditure £000s		2009/10 Net Expenditure £000s
874	Procurement Costs	1,089
7,920	Waste Disposal	9,293
8,790	Landfill Tax	11,443
4,817	Household Waste Recycling	5,482
2,864	Management Fee	2,628
12	Audit Fee	13
25,278		29,948
(25,278)	Met by Constituent Authorities	(29,948)

52. NATURE AND AMOUNT OF TRUST FUNDS

The Council administers a number of trust funds which are held outside of the Council's accounts. The balances and movements of these funds can be seen below:

Trust	1 April 2010	Income	Exp	31 March 2011
	£	£	£	£
Charity and Personal Social Service Trusts	(12,729)	(4,017)	5,548	(11,198)
Eadweard Muybridge Trust	(17,347)	(75)	5,000	(12,422)
King George's Field Foundation	(67,367)	(292)	0	(67,659)
Mrs G. Flutter - Bequest	(216)	(1)	0	(217)
Mrs F. Lifton - Bequest	(18,555)	656	0	(17,899)
Mr P. Millwood - Bequest	(10,475)	(45)	8,000	(2,520)
Mrs E. Taylor - Bequest	(6,831)	(30)	0	(6,861)
Rowlls Benefaction	(2,096)	(206)	0	(2,302)
	(135,616)	**(4,010)**	**18,548**	**(121,078)**
Represented by:				
External investments at cost	(430)			(430)
Cash at bank	(135,186)			(120,648)
	(135,616)			**(121,078)**

The following Fund prepares its accounts for each year ending on 31 December.

Trust	1 April 2010	Income	Exp	31 March 2011
	£	£	£	£
William Nicholl's Charity Fund	**(12,689)**	**(1,938)**	**1,721**	**(12,906)**
Represented by:				
External investments at cost	(8,341)			(8,341)
Cash at bank	(4,348)			(4,565)
	(12,689)			**(12,906)**

Note to Trust Funds

- **Charity and Personal Social Services Trusts**

The Adult Social Services directorate holds these monies on behalf of a number of its clients. The monies are received from court orders, donations, compensation or contributions towards non-service based expenses, and are disbursed in accordance with the conditions pertaining to the particular trust.

- **Eadweard Muybridge Trust**

Eadweard Muybridge bequeathed to Kingston his zoopraxiscope and other items relating to his work on animal locomotion on trust to deposit in the Kingston Museum. Money bequeathed under his will dated March 1904 has been invested and the investment income is used to purchase artistic and scientific books for the Museum and Heritage Service.

- **King George's Field (Tolworth) Foundation**

The proceeds of the sale of part of dedicated land at Tolworth have been invested. The investment income is used to fund improvements to facilities at the playing fields.

- **Mrs G. Flutter – Bequest**

Mrs G. Flutter bequeathed a sum of money to be invested by the Council. The investment income is to be used for the purposes of improvement of amenities within the Royal Borough, and in the ancient parish of Kingston and in particular for the provision of trees and amenities along the river Thames from Ravens Ait to Kingston Bridge.

- **Mrs F. Lifton - Bequest**

Mrs Florence Hannah Lifton made a bequest in 1979 to be invested by the Council. The Mayor of the Royal Borough of Kingston distributes the investment income for the benefit of the "old people of the borough".

- **Mr Paul Edwin Millwood – Bequest**

Mr Paul Millwood deceased, bequeathed a sum of money to the Council in 2008 for the benefit of Kingston Museum and Kingston Heritage service.

- **Mrs E. Taylor – Bequest**

This is a bequest to the Borough's residential care homes for children. All the investment income earned from this fund is paid into the Children's and Family Services Amenity Fund, which provides support and assistance to children in need throughout the Borough.

- **Rowlls Benefaction**

Alfred Rowlls of Kingston (in memory of his father) by Indenture of Trust dated May 1883 gave the sum of £1000 Consols to trustees for the benefit of the Public Library in Kingston. The use has been amended to allow the purchase of museum books.

- **William Nicholl's Charity Fund**

This is a charity which was set up in 1935 to provide relief of poverty in Kingston Parish in the form of fuel vouchers and small pensions.

Interest on Cash balances

The Trust Fund cash balances are credited with interest at the average 7-day rate of interest.

External Investments

The market values of external investments are shown below:

	Stock Holding	**At Cost**	**Market Value 31 March 2009**	**Market Value 31 March 2010**
	(units)	£	£	£
Rowlls Benefaction				
• Charities Official Investment Fund	447	430	4,404	4,535
			31 Dec 2009	**31 Dec 2010**
	(units)	£	£	£
William Nicholl's Charity Fund				
• M&G Securities - Charifund	2,834	4,170	30,386	32,777
• M&G Securities - Charibond	4,208	4,171	5,142	5,151

53. INTEREST IN COMPANIES

Kingston Theatre Limited Liability Partnership (LLP)

A Limited Liability Partnership (LLP) exists between the Council (95% stake) and Kingston University (5% stake), the principal activity, of which, is to own and manage the property in High Street, Kingston upon Thames known as the Rose Theatre. The LLP consider the Council to be the ultimate parent undertaking. The LLP is structured in such a way that future investors can purchase a stake in the partnership, but that the combined stake holding of the Council and University will not fall below 51%.

The audited accounts of Kingston Theatre LLP are available on request from:

The Head of Corporate Accountancy
Guildhall 2
High Street
Kingston upon Thames
KT1 1EU

They are also available on the Royal Borough of Kingston upon Thames website (www.kingston.gov.uk).

The Council's investment in the LLP is recognised and measured at Fair Value in the Balance Sheet – based on the Equity shown in the LLP's Balance Sheet, shared proportionately between the Partnership members. (This equity was valued at £1.239m at 31 March 2011, £1.248m at 31 March 2010). Any profit share attributable to the Council from the LLP has been recognised within the Council's Comprehensive Income and Expenditure Statement.

The accounts of Kingston Theatre LLP were consolidated into Group Accounts with the single entity accounts of the Authority in previous years, however, in 2010/11, this is considered to be unnecessary on the grounds of materiality. Note 3 to the main accounts expands on this point.

Kingston Theatre Trust (KTT)

The Kingston Theatre Trust is the tenant of the Rose Theatre. The Royal Borough of Kingston upon Thames is providing annual revenue support of £600,000 a year to KTT for 3 years commencing 1 January 2009. In addition, loans previously advanced to KTT from the Council were restructured into a single, interest free loan of £1.8m, repayable in equal annual instalments over 100 years. As well as the rent it pays Kingston Theatre LLP, KTT also makes stepped payments to the Council in respect of the lease of equipment.

South London Waste Partnership (SLWP)

The South London Waste Partnership is a Joint Committee, established in September 2007, to secure waste treatment and disposal services for the London Boroughs of Croydon, Merton, Sutton and the Royal Borough of Kingston. The Royal Borough of Kingston is the lead Borough for procurement and has awarded the contracts on behalf of the Partnership.

The unaudited accounts of the South London Waste Partnership are available on request from:

The Head of Corporate Accountancy
Guildhall 2
High Street
Kingston upon Thames
KT1 1EU

The audited accounts of the SLWP will be available at the end of September 2011.

54. MATERIAL DIFFERENCES BETWEEN IFRS AND SORP

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

- **Short-term accumulating compensated absences**

  Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

  Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

  The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

- **Leases**

  Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

  The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

- **Government Grants**

  Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

  As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

■ The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet and similarly for 31 March 2010 and 1 April 2010.

■ Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

■ Some Capital Grants have been reclassified to Capital Grants Receipts in Advance from Creditors.

Some unspent revenue grants with no conditions attached have been transferred from creditors to earmarked reserves.

- **Investment property**

  The change in definition in Investment property has led to some changes in classification between Investment property and Property, Plant and Equipment.

- **Cash and cash equivalents**

  The change in definition in cash and cash equivalents has led to a net restatement between Current Assets and Current Liabilities.

Restated Movement in Reserves Statement - 1 April 2009

	1 Apr 2009					
	Published accounts	Grants & Contributions	Investment Properties & Leases	Other IFRS	Other	Adjusted accounts
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Usable reserves						
General Fund Balance	(4,282)					(4,282)
Earmarked General Fund Reserves	(25,219)	(3,077)				(28,296)
Housing Revenue Account Balance	(2,512)					(2,512)
Earmarked HRA Reserves	n/a					0
Major Repairs Reserve	0					0
Capital Receipts Reserve	(248)					(248)
Capital Grants Unapplied	n/a	(411)				(411)
	(32,261)					(35,749)
Unusable reserves						
Revaluation Reserve	(73,818)		2,079			(71,739)
Capital Adjustment Account	(521,142)	(93,369)	(1,058)			(615,569)
Deferred Capital Receipts Reserve	(80)		(282)			(362)
Available-for-Sale Financial Instruments Reserve	0					0
Financial Instruments Adjustment Reserve	1,915					1,915
Pensions Reserve	196,200					196,200
Collection Fund Adjustment Reserve	(403)					(403)
Unequal Back Pay Adjustment Account	n/a					0
Accummulated Absences Account	n/a			3,544		3,544
	(397,328)					(486,414)
Total reserves	(429,589)	(96,857)	739	3,544	0	(522,163)

Restated Movement in Reserves Statement – 31 March 2010

	31 Mar 2010					
	Published accounts	Grants & Contributions	Investment Properties & Leases	Other IFRS	Other	Adjusted accounts
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Usable reserves						
General Fund Balance	(3,983)					(3,983)
Earmarked General Fund Reserves	(19,714)	(3,456)			(1)	(23,171)
Housing Revenue Account Balance	(1,974)				1	(1,973)
Earmarked HRA Reserves	n/a					0
Major Repairs Reserve	0					0
Capital Receipts Reserve	(580)				(1)	(581)
Capital Grants Unapplied	n/a	(596)			(1)	(597)
	(26,251)					(30,305)
Unusable reserves						
Revaluation Reserve	(53,636)	6,627	10			(46,999)
Capital Adjustment Account	(507,149)	(110,416)	1,021			(616,544)
Deferred Capital Receipts Reserve	(58)		(273)			(331)
Available-for-Sale Financial Instruments Reserve	(1,183)					(1,183)
Financial Instruments Adjustment Reserve	534					534
Pensions Reserve	271,631					271,631
Collection Fund Adjustment Reserve	(262)					(262)
Unequal Back Pay Adjustment Account	n/a					0
Accummulated Absences Account	n/a	4,053			(1)	4,052
	(290,123)					(389,102)
Total reserves	(316,374)	(103,788)	758	0	(3)	(419,407)

Restated Comprehensive Income & Expenditure Statement 2009/10

	2009/10					
	Published accounts *£'000*	Grants & Contributions *£'000*	Investment Properties & Leases *£'000*	Other IFRS *£'000*	Other *£'000*	Adjusted accounts *£'000*
Income & Expenditure Account						
Continuing Operations						
Central services to the public	2,591	314		13		2,918
Cultural, environmental, regulatory and planning services	27,134	1,124	852	49		29,159
Education and children's services	30,259	2,205	192	358	(45)	32,969
Highways and transport services	10,897	2,546		12		13,455
Local authority housing (HRA)	(2,007)	0		27		(1,980)
Other housing services	2,931	17		0		2,948
Adult social care	44,446	150	476	5		45,077
Exceptional costs of social care legal settlements	n/a					0
Corporate and Democratic Core	3,288	84		46		3,418
Non Distributed Costs	823					823
Exceptional items not included above	(1,107)					(1,107)
Net Cost of Services	119,255					127,680
	Notes					
Other operating expenditure	17,436					17,436
Financing and investment income and expenditure	19,088		(617)			18,471
Surplus or deficit of discontinued operations	n/a					0
Taxation and non-specific grant income	(123,989)	(17,383)				(141,372)
(Surplus) or Deficit on the provision of services	31,790					22,215
Statement of Recognised Gains and Losses						
(Surplus) or Deficit on revaluation of non-current assets	17,583		(894)			16,689
(Surplus) or Deficit on revaluation of available for sale financial assets	(1,183)					(1,183)
Actuarial (gains) or losses on pension assets and liabilities	65,900					65,900
Other comprehensive income and expenditure	(875)					(875)
Total comprehensive income and expenditure	113,215	(10,943)	9	510	(45)	102,746

Restated Balance Sheet 1 April 2010

	31 Mar 2010					
	Published accounts	Grants & Contributions	Investment Properties & Leases	Other IFRS	Other	Adjusted accounts
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Long term assets						
Property, plant & equipment	761,390		13,856			775,246
Investment property	40,276		(14,887)			25,389
Intangible assets	540					540
Assets held for sale	n/a					0
Long term investments	12,595					12,595
Long term debtors	110		263			373
Total long term assets	814,911					814,143
Current assets						
Short term investments	45,411			(2,045)		43,366
Assets held for sale	n/a					0
Inventories	255				(164)	91
Short term debtors	30,085	456	10		(16)	30,535
Cash & cash equivalents	2,777			(2,550)		227
Total current assets	78,528					74,219
Current liabilities						
Cash & cash equivalents	(4,595)			4,595		0
Short term borrowing	(7,840)					(7,840)
Short term creditors	(39,961)	8,000		(4,053)	224	(35,790)
Capital grants receipts in advance	n/a	(4,446)				(4,446)
Provisions	n/a					0
Liabilities in disposal groups	n/a					0
Total current liabilities	(52,396)					(48,076)
Long term liabilities						
Long term creditors	n/a					0
Provisions	(3,038)					(3,038)
Long term borrowing	(146,211)					(146,211)
Other long term liabilities	(271,631)					(271,631)
Donated assets account	n/a					0
Government grants deferred	(103,789)	103,789				n/a
Capital grants receipts in advance	n/a					0
Total long term liabilities	(524,669)					(420,880)
Net Assets	316,374					419,406
Reserves						
Usable reserves	(26,251)	(4,052)	0	0	(2)	(30,305)
Unusable reserves	(290,123)	(99,736)	758	0	(1)	(389,102)
Total reserves	(316,374)	4,011	0	(4,053)	41	(419,407)

Restated Balance Sheet 1 April 2009

	1 Apr 2009					
	Published accounts	Grants & Contributions	Investment Properties & Leases	Other IFRS	Other	Adjusted accounts
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Long term assets						
Property, plant & equipment	793,778		8,089			801,867
Investment property	34,505		(9,110)			25,395
Intangible assets	52					52
Assets held for sale	n/a					0
Long term investments	22,898					22,898
Long term debtors	483		273			756
Total long term assets	851,716					850,968
Current assets						
Short term investments	54,320			(2,691)		51,629
Assets held for sale	n/a					0
Inventories	264				(170)	94
Short term debtors	27,722		9		170	27,901
Cash & cash equivalents	1,787			336		2,123
Total current assets	84,093					81,747
Current liabilities						
Cash & cash equivalents	(2,355)		2,355			0
Short term borrowing	(11,444)					(11,444)
Short term creditors	(47,491)	7,255		(3,544)	0	(43,780)
Capital grants receipts in advance	n/a	(3,767)				(3,767)
Provisions	n/a					0
Liabilities in disposal groups	n/a					0
Total current liabilities	(61,290)					(58,991)
Long term liabilities						
Long term creditors	n/a					0
Provisions	(3,845)					(3,845)
Long term borrowing	(151,516)					(151,516)
Other long term liabilities	(196,200)					(196,200)
Donated assets account	n/a					0
Government grants deferred	(93,369)	93,369				n/a
Capital grants receipts in advance	n/a					0
Total long term liabilities	(444,930)					(351,561)
Net Assets	429,589					522,163
Reserves						
Usable reserves	(32,261)	(3,488)	0	0	0	(35,749)
Unusable reserves	(397,328)	(93,369)	739	3,544	0	(486,414)
Total reserves	(429,589)	(0)	2,355	(2,355)	0	(522,163)

55. AUTHORISATION OF THE STATEMENT OF ACCOUNTS

Under Audit regulations for 2010/11, the unaudited Statement of Accounts prepared for Audit for 30 June must be authorised for issue by the Chief Financial Officer who in this Authority is Leigh Whitehouse, Director of Finance.

Under previous Audit regulations the unaudited version of the accounts prepared for Audit had to be approved by Members. For 2010/11 this is not a requirement but is recommended as best practice. The authorisation of the Director of Finance came

after review of the Statement of Accounts by Audit Committee on 29 June 2011 and Policy and Resources Committee on 30 June 2011.

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

COLLECTION FUND ACCOUNT

HOUSING REVENUE ACCOUNT

PENSION FUND ACCOUNT

COLLECTION FUND ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and to the Authority's own General Fund. The Collection Fund is consolidated into the accounts of the billing authority.

2009/10			2010/11	
£'000	*£'000*		*£'000*	*£'000*
		Income		
(90,341)		Income from Council Tax	(92,807)	
		Transfers from the General Fund		
(10,688)		- Council Tax Benefit	(11,326)	
	(101,029)			(104,133)
	(77,210)	Income collectable from business ratepayers		(71,917)
		Contributions		
	0	- Towards previous year's Collection Fund Deficit		0
		Expenditure		
		Precepts and Demands		
80,893		- RBK Demand	83,743	
18,973		- GLA Precept	19,180	
	99,866			102,923
		Business Rate		
76,941		- Payment to National Pool	71,655	
269		- Costs of Collection	262	
	77,210			71,917
		Impairment of Debts/Appeals		
56		- Write-Offs of uncollectable amounts	45	
912		- Allowance for impairment	(529)	
	968			(484)
		Contributions towards previous year's estimated Collection Fund Surplus		
300		- RBK	0	
73		- GLA	0	
	373			0
	178	Movement on Fund Balance		(1,694)

NOTES TO THE COLLECTION FUND ACCOUNT

1. INCOME FROM COUNCIL TAX

Council Tax income is the amount payable by Council Tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2010/11 it was calculated as follows:

Tax band	Valuation Band values	Ratio to band D	Actual number	Adjusted number	Band D equivalent
A	Values up to £40,000	6/9	332	134.45	89.53
B	Values from £40,001 to £52,000	7/9	2,803	2,104.55	1,636.87
C	Values from £52,001 to £68,000	8/9	14,514	11,555.95	10,271.95
D	Values from £68,001 to £88,000	9/9	19,776	17,055.80	16,895.80
E	Values from £88,001 to £120,000	11/9	14,336	12,914.95	15,784.94
F	Values from £120,001 to £160,000	13/9	7,786	7,136.15	10,307.77
G	Values from £160,001 to £320,000	15/9	3,952	3,637.80	6,063.00
H	Values above £320,000	18/9	914	818.80	1,637.60
			64,413	55,358.45	62,687.46
	Estimated collection rate for 2010/11 (98.5%)				-940.30
	Contributions in lieu (MoD properties)				160.00
	Tax Base for 2010/11				61,907.16

2. NATIONAL NON-DOMESTIC RATES

NNDR is organised and administered on a national basis. The government specifies an amount and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population.

The NNDR income (after reliefs and provisions) was:

31 Mar 2010		31 Mar 2011
£'000		*£'000*
178,918	Total non-domestic rateable value	204,091
p		*p*
48.5	NNDR Multiplier	43.3
48.1	NNDR Multiplier for small businesses	42.6
4,667	Number of properties included in rateable value	4,802

3. PRECEPTS AND DEMANDS

The Greater London Authority (GLA) levies a precept upon the Council's Collection Fund based upon the Council's tax base for the year. In addition, the Council's own requirement is charged to the Collection Fund and credited to the General Fund. The GLA precept includes elements for the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London, the London Development Agency and the core GLA functions.

2009/10		2010/11
£'000		*£'000*
80,893	Demand on Collection Fund by Royal Borough of Kingston upon Thames	83,743
18,973	Precept on Collection Fund by Greater London Authority	19,180
99,866		102,923

4. COLLECTION FUND BALANCE

A proportion of the Collection Fund balance above is properly attributable to the Greater London Authority and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Balance with the remainder treated as a debtor.

31 March 2010		31 March 2011
£'000		*£'000*
(500)	Balance brought forward	(322)
178	Movement in year	(1,694)
(322)	Balance carried forward	(2,016)

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing expenditure – management, maintenance, rent rebates, and capital financing costs and how these are met from rents, subsidy and other income. The account is required to be self-financing, and cannot be subsidised by the General Fund.

Housing Revenue Account Income & Expenditure Statement

2009/10 Net Expenditure Restated £'000		2010/11 Net Expenditure £'000
	Expenditure	
	(including pension costs in accordance with the Code (IAS 19) basis)	
4,625	Repairs and maintenance	4,554
10,228	Supervision and management	10,350
200	Rents, rates, taxes and other charges	202
5,909	Negative Housing Revenue Account subsidy payable (including the MRA element)	6,604
4,128	Depreciation and impairments of fixed assets	4,613
	Revaluation losses	92,382
	Amortisation of intangible assets	12
4	Debt management costs	4
41	Movement in the allowance for bad debts	197
0	Sums directed by the Secretary of State that are expenditure in accordance	0
276	Revenue expenditure funded from capital under statute	30
25,411	**Total Expenditure**	118,948
	Income	
(22,157)	Dwelling rents	(22,438)
(419)	Non-dwelling rents	(412)
(2,861)	Charges for services and facilities	(3,215)
(771)	Contributions towards expenditure	(1,100)
0	Housing Revenue Account Subsidy receivable (including the MRA element)	0
0	Sums directed by the Secretary of State that are income in accordance proper practices	0
(1,178)	Miscellaneous income	0
(27,386)	**Total Income**	(27,165)
(1,975)	**Sub-total: Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	91,783
41	HRA services share of Corporate and Democratic Core	35
0	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	0
(1,934)	**Sub-total: Net Cost of HRA Services**	91,818
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
35	Gain or (loss) on sale of HRA non-current assets	901
695	Interest payable and similar charges	693
(113)	HRA Interest and investment income	(135)
824	Pensions interest cost and expected return on pensions assets	348
	Income and expenditure in relation to investment properties and changes in their fair value	(284)
0	Capital grants and contributions receivable	(264)
(493)	**Surplus or deficit for the year on HRA services**	93,077

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Movement on the Housing Revenue Account Statement

2009/10 *£'000*		2010/11 *£'000*
(2,512)	Balance on the Housing Revenue Account at the end of the previous year	(1,973)
(493)	(Surplus) or deficit for the year on the Housing Revenue Account Income and Expenditure Statement	93,077
1,032	Adjustments between accounting basis and funding basis under statute	(93,566)
539	Net (increase) or decrease before transfers to or from reserves flows from operating activities	(489)
0	Transfers to or (from) reserves	0
539	(Increase) or decrease in year on the Housing Revenue Account	(489)
(1,973)	Balance on the Housing Revenue Account at the end of the previous year	(2,462)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council has overall responsibility for managing the housing stock. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents; for this purpose three bed spaces equals one dwelling.

31 Mar 2010 No.		31 Mar 2011 No.
Restated	Flats	
973	- low rise (up to 2 storeys)	971
2,102	- medium rise (3-5 storeys)	2,101
453	- high rise (6+ storeys)	451
3,528	Total Flats	3,523
1,261	Houses and Bungalows	1,260
33	Equivalent number of dwellings for multi-occupied premises (hostels)	33
24	Shared Ownership	23
4,846	Total Stock (all dwellings)	4,839

2. STOCK VALUATION

The net Balance Sheet value of the land, houses and other assets within the HRA is as follows:

31 Mar 2010		31 Mar 2011
£'000		*£'000*
	HRA Property	
	- Land	
339,314	- Dwellings	237,146
6,301	- Other property	8,767
373	HRA Investment Property	658
345,988	Total value of land, houses and other property within HRA	246,571
894,401	Vacant possession value of dwellings as 1st April	894,146

The valuation of stock is in accordance with the Department for Communities and Local Government (DCLG) guidance entitled *Guidance on Stock Valuation for Resource Accounting.* The basis for valuation for operational property is Existing Use Value for non-housing property and Existing Use Value for Social Housing for housing property. The DCLG has, in 2010/11, prescribed that the Existing Use Value for Social Housing should be 25% of the Existing Use Value. In previous years this figure was 37%.

3. MAJOR REPAIRS RESERVE

This reserve is credited with the depreciation charged to the HRA each year plus an adjustment to ensure the net credit in the year equals the Major Repairs Allowance which forms part of the overall Housing Subsidy arrangements. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

2009/10		2010/11
£'000		*£'000*
0	Balance brought forward	0
(4,128)	Amount transferred to the Reserve during the financial year	(4,432)
0	Amount transferred from the Reserve to HRA during the financial year	
3,895	Debits to the Reserve during the financial year in respect of capital expenditure on the land, houses and other property within HRA	3,043
233	Debits in respect of the meeting of any liability, in that year, in respect of credit arrangements, other than any liability, which in accordance with proper practices, must be charged to a revenue account, where the meeting of that liability was met by payments out of the Reserve	382
0	Balance carried forward	(1,007)

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure, mainly on dwellings, amounted to £3.784m (£6.622m in 2009/10). The following summary shows how this was funded:

2009/10		2010/11
£'000		*£'000*
	Capital Expenditure during the financial year:	
	- Land	
6,331	- Houses	3,713
16	- Other Property	41
275	- Revenue expenditure funded by capital under statute	30
6,622	Total Capital Expenditure	3,784
	Funded by:	
0	- Borrowing	(41)
(117)	- Government Grant	(264)
(441)	- Capital Receipts Reserve	(497)
(2,169)	- Revenue Contributions	0
(3,895)	- Major Repairs Reserve	(2,982)
(6,622)	Total Capital funding	(3,784)

5. CAPITAL RECEIPTS

During the year the following capital receipts from disposals were received:

2009/10		2010/11
£'000		*£'000*
	Adjustments between accounting basis and funding basis under regulations	
(264)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the comprehensive income & expenditure statement	(903)
(22)	Transfer from deferred capital receipts reserve upon receipt of cash	(12)
(286)	Total Capital Receipts	(915)

6. DEPRECIATION AND IMPAIRMENT

The total charge for depreciation within the Authority's HRA is shown below:

2009/10		2010/11
£'000		*£'000*
	Depreciation of HRA Property	
0	- Land	0
3,895	- Houses	4,051
233	- Other Property	382
4,128	Total Depreciation within HRA	4,433

Impairment of £0.180m concerning a fire at Madingley flats was charged to the HRA in 2010/11.

7. HRA SUBSIDY

The calculation of HRA subsidy for the year, in line with the subsidy determination is set out below:

2009/10		2010/11
£'000		*£'000*
	Notional HRA income	
(21,063)	Notional income from rents	(21,818)
(5)	Notional income from mortgage interest on sales of former HRA dwellings	(4)
(21,068)		(21,822)
	Notional HRA expenditure	
9,446	Notional management and maintenance	9,530
1,581	Notional capital financing	1,637
3,895	Major repairs allowance	4,051
14,922		15,218
(6,146)	Notional surplus - net payment to government for year	(6,604)
237	Adjustment for previous years	0
(5,909)	Amount included in Housing Revenue I&E Statement	(6,604)

8. RENT ARREARS AND BAD DEBT PROVISIONS

Accumulated arrears for rents due to the Council from tenants in respect of dwellings and other property managed within the housing revenue account. (It excludes rents collectable in respect of non HRA properties accounted for the General Fund).

31 Mar 2010		31 Mar 2011
£'000		*£'000*
2,241	Gross rent arrears	1,898
(889)	Provision for bad & doubtful debts	(824)

9. IAS19 RETIREMENT BENEFITS

The Authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs, interest costs and expected return on assets. To ensure that there is no net effect on the HRA, these entries are reversed out and replaced by employers' contributions payable by means of an appropriation to the Pensions Reserve in the Movement on the Housing Revenue Account Statement.

Note 47 to the Main Financial Statements provides further details:

2009/10		2010/11
£'000		*£'000*
	Transactions with Comprehensive Income and Expenditure Account	
551	Adjustments between accounting basis and funding basis under regulations	227
824	Other Comprehensive Income and Expenditure	348
1,375		575

PENSION FUND ACCOUNTS 2010/11

See separate item

ANNUAL GOVERNANCE STATEMENT

See separate item

GLOSSARY OF TERMS

Accounting Period

The timescale during which accounts are prepared. Local Authority accounts have an overall accounting period of one year from 1 April to 31 March.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting policies define the process whereby transactions and other events are reflected in the financial statements.

Accounting Standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

Accruals

This is the concept that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

Acquisitions

The Council spends funds from the capital programme to buy assets such as land and buildings.

Agency Services

Services provided by or for another Local Authority or public body where the cost of carrying out the service is reimbursed.

Asset Register

A record of Council assets including land and buildings, housing, infrastructure, vehicles and equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is update annually to reflect new acquisitions, disposals, revaluations and depreciation.

Assets under Construction

Assets not yet ready for use. This could be new building work in schools or road construction.

Audit Commission

The body responsible for the appointment of external auditors to local authorities, co-ordinating audits throughout the country, setting standards and monitoring performance.

Balances

The amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise of the General Fund balance, the Housing Revenue Account balance and Schools reserves.

Best Value Accounting Code of Practice (BVACOP)

BVACOP sets out the financial reporting guidelines for Local Authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting.

Capital Expenditure

Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as “capital” of it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital Financing

This term describes the method of financing capital expenditure, the principal methods now being loan financing, capital receipts and capital resource funds.

Capital Financing Requirement

The Authority’s total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

Capitalisation

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater that one year.

Capital Receipts

These are proceeds arising from the sale of fixed assets and repayments of capital grants and loans. They may be used to finance new capital expenditure or to repay outstanding loan debts as laid down in rules set by the government.

Community Assets

These are assets which the Council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal, for example parks and historic buildings.

Contingent Assets

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future event not wholly within the Council's control.

Contingent Liabilities

These are potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Comprehensive Income and Expenditure Statement.

Creditors

These are amounts owed by the Council for goods and services supplied, but for which payment has not been made at the end of the financial year.

Current Service Cost (Pensions)

The increase in the present value of the pension scheme's liabilities expected to arise from employee service in the current period.

Debtors

These are amounts owed to the Council but not received at the end of the financial year.

Deferred Credits

This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

Defined Benefits Pension Scheme

Retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The scheme may be funded or unfunded.

Depreciation

This is the loss in value of a tangible asset due to age, wear and tear, deterioration or obsolescence through technological or other changes. Depreciation is a "non-cash" charge as it merely reflects accounting assessments of the loss in value.

Earmarked Reserves

These are amounts which are set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Emoluments

All sums paid to or receivable by an employee, and including sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and also the money value of any other benefits received other than in cash. Pension contributions payable by employees are excluded.

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Finance and Operating Leases

These are financing arrangements with a third party. A finance lease substantially transfers all of the risks and rewards of ownership of a fixed asset to the lessee. Such assets have been valued and included under Fixed Assets in the Balance Sheet. With an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the relevant service account.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

General Fund

The Council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

Government Grants

This is financial assistance by the government, inter-government agencies or similar bodies to an Authority, in return for compliance with certain conditions relating to the activities of the Authority.

Historic Cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA)

A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local Authorities are not allowed to make up any deficit on the HRA from the General Fund.

Housing Subsidy

The grant payable by central government to local authorities to subsidise the cost of providing Council housing and management and maintenance of that housing. The grants are paid into the Housing Revenue Account.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by a continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

International Financial Reporting Standards (IFRS)

The accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce 2010/11 accounts using IFRS.

Intangible Assets

These are assets of value that do not have physical substance, for example Software Licences, Franchises and patents. Expenditure incurred on these assets is capitalised at cost and charged to the Balance Sheet.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period, in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties

Property that is held solely to earn rentals or for capital appreciation.

LABGI

Local Authority Business Growth Incentive (LABGI) is a redistribution of additional business rates generated in Local Authority areas for the benefit of individual local authorities.

Levies

Payments to London-wide bodies such as the London Pensions Fund Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

Minimum Revenue Provision

The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

National Non-Domestic Rate (NNDR)

The rates paid by businesses. The amount paid is based on the rateable value set by the Inland Revenue multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and paid over to the government. They are the redistributed to local authorities on the basis of relevant population.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Non Distributed Costs

These are costs relating to retirement and unused and unusable share of assets. These cannot be charged to current service revenue accounts.

Past Service Costs

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pooling Arrangements (capital receipts)

Since 1 April 2004, 75% of “Right to buy” capital receipts have to be paid to the DCLG; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet events

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Precept

A precept is an amount which the Council is required to collect from Council Tax on behalf of other non-billing authorities, such as the Greater London Authority (GLA) in London or County Councils outside London, to finance its net expenditure.

Prior Year Adjustments

These are material adjustments, which are applicable to prior years arising from the correction of fundamental errors or inaccuracies. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

This is an amount, which is set aside for a liability or loss in respect of a past event, which is likely to be incurred, but where the exact amount and date on which it will arise is uncertain.

Prudential Code

This is a code of practice agreed between central government and CIPFA for the Prudential Capital Finance System introduced on 1st April 2004. The system allows local authorities to set their own borrowing limits based upon affordability, sustainability and prudence. Local authorities are required by legislation to have regard to the code.

Public Works Loan Board (PWLB)

A central government agency which provides long and medium term loans to local authorities at interest rates only slightly higher than those at which government itself can borrow. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Parties

Two or more parties are defined to be related parties when at any time during the financial period concerned, one party has direct or indirect control or influence on the other party, for example;

- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related Party Transaction

A related party transaction is the transfer of assets or performance of services by to or for a related party irrespective of whether a charge is made.

Reserves

The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

Revenue Expenditure

This is expenditure which is incurred on day to day running costs on recurring items involved in the delivery of services and is charged to the accounts within one financial year. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure funded by Capital under Statute (REFCUS)

Expenditure that may be classified under legislation as capital but does not result in the creation of a fixed asset on the Balance Sheet. This expenditure is generally charged to the relevant service revenue account in the year incurred with a corresponding credit to the Statement of Movements to ensure there is no cost to the General Fund.

Revenue Support Grant (RSG)

This is the main general grant paid by the government to the Council in respect of the revenue costs of providing all of its services. The amount of grant payable is based upon the government's assessment of the Council's needs taking into account its ability to raise income from Council Tax and its share of income from the NNDR national pool.

Soft Loans

Loans made by the Authority at less than the prevailing market rate of interest. The SORP requires the discounted interest rate to be recognised as a reduction in the Fair Value of the asset when measured for the first time and a charge to the Income & Expenditure Account to represent the interest forgone.

Useful life

The period over which the Council will derive benefits from the use of a fixed asset.

Valuation Bands

Currently for Council Tax purposes there are eight property valuation bands (Bands A to H) as set out in Part 1 of the Local Government Finance Act 1992. The amount each household pays depends upon which property band their home falls into. The property values are currently based upon property market values as at April 1991.

Write-offs

Income is recorded in the Council’s accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.